ORIX CORP
Form 6-K
February 13, 2012
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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

Pursuant to Rule 13a-16 or 15d-16 OF

THE SECURITIES EXCHANGE Act of 1934

For the month of February 2012.

ORIX Corporation

(Translation of Registrant s Name into English)

Mita NN Bldg., 4-1-23 Shiba, Minato-Ku, Tokyo, JAPAN

(Address of Principal Executive Offices)

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.)

Form 20-F x Form 40-F ¨

(Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)

Yes ¨ No x

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1.	On February 13, ORIX Corporation (the Company) filed its quarterly financial report (shihanki houkokusho) with the Kanto Financial Bureau in Japan. This document is an English translation of consolidated financial information prepared in accordance with generally accepted accounting principles in the United States (U.S. GAAP) for the three and nine months ended December 31, 2010 and 2011. This translation is unaudited.	

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	ORIX Corporation
Date: February 13, 2012	By /s/ Haruyuki Urata
	Haruyuki Urata
	Director Deputy President & CFO
	ORIX Corporation

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CONSOLIDATED FINANCIAL INFORMATION

1. On February 13, 2012, ORIX Corporation (the Company) filed its quarterly financial report (*shihanki houkokusho*) with the Kanto Financial Bureau in Japan. This document is an English translation of unaudited consolidated financial information prepared in accordance with generally accepted accounting principles in the United States (U.S. GAAP) for the three and nine months ended December 31, 2010 and 2011.

2. Significant differences between U.S. GAAP and generally accepted accounting principles in Japan (Japanese GAAP) are stated in the notes of Overview of Accounting Principles Utilized.

In preparing its consolidated financial information, the Company and its subsidiaries have complied with U.S. GAAP, except as modified to account for stock splits in accordance with the usual practice in Japan.

These documents may contain forward-looking statements about expected future events and financial results that involve risks and uncertainties. Such statements are based on our current expectations and are subject to uncertainties and risks that could cause actual results to differ materially from those described in the forward-looking statements. Factors that could cause such a difference include, but are not limited to, those described under Risk Factors in the Company s most recent annual report on Form 20-F filed with the U.S. Securities and Exchange Commission.

These documents contain non-GAAP financial measures, including adjusted long-term and interest-bearing debt, adjusted total assets and adjusted ORIX Corporation shareholders equity, as well as other measures and ratios calculated on the basis thereof. These Non-GAAP financial measures should not be considered in isolation or as a substitute for the most directly comparable financial measures included in our consolidated financial statements presented in accordance with U.S. GAAP. Reconciliations of these Non-GAAP financial measures to the most directly comparable U.S. GAAP measures are included on page 10 in these documents.

The Company believes that it will be considered a passive foreign investment company for U.S. Federal income tax purposes in the year to which these consolidated financial results relate and for the foreseeable future by reason of the composition of its assets and the nature of its income. A U.S. holder of the shares or ADSs of the Company is therefore subject to special rules generally intended to eliminate any benefits from the deferral of U.S. Federal income tax that a holder could derive from investing in a foreign corporation that does not distribute all of its earnings on a current basis. Investors should consult their tax advisors with respect to such rules, which are summarized in the Company s annual report.

1. Information on the Company and its Subsidiaries

(1) Consolidated Financial Highlights

	Millions of yen (except for per share amounts and ratios)		
	Nine months ended December 31, 2010	Nine months ended December 31, 2011	Fiscal year ended March 31, 2011
Total revenues	¥ 695,648	¥ 714,587	¥ 963,068
Income before income taxes and discontinued operations	75,163	102,512	92,893
Net income attributable to ORIX Corporation	50,798	68,770	67,275
Comprehensive Income Attributable to ORIX Corporation	30,963	46,557	53,956
ORIX Corporation shareholders equity	1,295,765	1,357,579	1,319,341
Total assets	8,529,358	8,194,598	8,581,582
Earnings per Share for net income attributable to ORIX Corporation			
Basic (yen)	472.60	639.68	625.88

Diluted (yen)	398.51	534.26	527.75
ORIX Corporation shareholders equity ratio (%)	15.19	16.57	15.37
Cash flows from operating activities	101,914	211,490	212,380
Cash flows from investing activities	171,218	60,039	251,598
Cash flows from financing activities	(294,373)	(334,458)	(363,590)
Cash and cash equivalents at end of period	608,352	662,894	732,127

	Three months ended December 31, 2010	**Three months ended December 31, 2011**
Total revenues	226,458	232,826
Net income attributable to ORIX Corporation	16,745	23,435
Earnings per Share for net income attributable to ORIX Corporation		
Basic (yen)	155.78	217.98

Notes: 1. Pursuant to FASB Accounting Standards Codification (ASC) 205-20 (Presentation of Financial Statements Discontinued Operations), certain amounts in fiscal year ended March 31, 2011 related to the operations of subsidiaries, business units, and certain properties, which have been sold or are to be disposed of by sale without significant continuing involvement as of December 31, 2011 have been reclassified retroactively.

2. Consumption tax is excluded from the stated amount of total revenues.

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(2) Overview of Activities

For the nine months ended December 31, 2011, no significant changes were made in the Company and its subsidiaries operations. Additionally, there are no changes of principal related companies.

2. Risk Factors

There were no additional Risk Factors for the nine months ended December 31, 2011.

In addition, there were not significant changes to the description under Risk Factors in the Form 20-F for the fiscal year ended March 31, 2011.

3. Material Contract

Not applicable.

4. Analysis of Financial Results and Condition

The following discussion provides management s explanation of factors and events that have significantly affected our financial condition and results of operations. Also included is management s assessment of factors and trends which are anticipated to have a material effect on our financial condition and results of operations in the future. However, please be advised that financial conditions and results of operations in the future may also be affected by factors other than those discussed here. These factors and trends regarding the future were assessed as of the issue date of the quarterly financial report (*shihanki houkokusho*).

(1) Qualitative Information Regarding Consolidated Financial Results

Economic Environment

The global economy continued to show moderate recovery. However, growth in emerging economies is starting to slow due to the protracted European debt issue and delayed economic recovery in advanced economies. Against this backdrop, 2012 is set to be a milestone year for politics with elections and changes in the top leadership of major nations and with economic policy of each country expected to be a focus of attention.

In the United States, business sentiment is improving and consumer spending continues to remain strong as employment continues to steadily improve.

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Financial concerns continue in peripheral nations of the European Union, which affect the financial and capital markets. Repercussions are starting to be felt in the real economy with business confidence rapidly deteriorating even among core European Union nations such as Germany. Despite the avoidance to date of a sovereign default through the cooperation of countries around the world, the underlying issues have yet to be resolved.

Emerging economies in Asia continue to experience stable growth, yet the specter of inflation continues to simmer beneath the surface. The rate of growth in emerging Asian economies is currently expected to slow due to the softness of the European and United States economies.

The Japanese economy continues to tread water despite recovery efforts from the Great East Japan Earthquake and a recovery in production activity. Amid the confusion in the global financial markets, the yen remains at a historic high, putting a squeeze on economic recovery.

Financial Highlights

Financial Results for the Nine Months Ended December 31, 2011

Total revenues	¥714,587 million (Up 3% year on year)
Income before income taxes and discontinued operations	¥102,512 million (Up 36% year on year)
Net income attributable to ORIX Corporation	¥68,770 million (Up 35% year on year)
Earnings per share for net income attributable to ORIX Corporation	
(Basic)	¥639.68 (Up 35% year on year)
(Diluted)	¥534.26 (Up 34% year on year)
ROE (Annualized) *1	6.9% (5.2% during the same period of the previous fiscal year)
ROA (Annualized) *2	1.09% (0.83% during the same period of the previous fiscal year)

*1 ROE is the ratio of net income attributable to ORIX Corporation for the period to average ORIX Corporation Shareholders Equity.
*2 ROA is the ratio of net income attributable to ORIX Corporation for the period to average Total Assets.

Total Revenues for the nine-month period ended December 31, 2011 (hereinafter the third consolidated period) increased 3% to ¥714,587 million compared to ¥695,648 million during the same period of the previous fiscal year. Interest on loans and investment securities decreased compared to the same period of the previous fiscal year in line with a decrease in the balance of installment loans. Meanwhile, operating lease revenues increased compared to the same period of the previous fiscal year primarily due to an increase in aircraft operating lease revenues in the Overseas Business segment, and brokerage commissions and net gains on investment securities increased compared to the same period of the previous fiscal year due to the sale of shares of Aozora Bank.

Total expenses decreased 3% to ¥612,725 million compared to ¥631,069 million during the same period of the previous fiscal year. Both interest expense and provision for doubtful receivables and probable loan losses decreased compared to the same period of the previous fiscal year due to a decrease in the balance of short- and long-term debt and a decrease in the amount of non-performing loans, respectively. In addition, write-downs of securities decreased mainly due to a decrease in write-downs recorded for non-marketable securities compared to the same period of the previous fiscal year. However, write-downs of long-lived assets increased compared to the same period of the previous year due to write-downs of properties under operating leases in the Real Estate segment.

Equity in net income (loss) of affiliates recorded a loss of ¥1,847 million, down from a profit of ¥9,014 million during the same period of the previous fiscal year. A write-down was recorded for the equity-method affiliate Monex Group, Inc.

As a result of the foregoing, income before income taxes and discontinued operations for the third consolidated period increased 36% to ¥102,512 million compared to ¥75,163 million during the same period of the previous fiscal year, and net income attributable to ORIX Corporation increased 35% to ¥68,770 million compared to ¥50,798 million during the same period of the previous fiscal year.

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Segment Information

Total revenues and profits by segment for the nine months ended December 31, 2010 and 2011 are as follows:

	Millions of yen							
	Nine months ended December 31, 2010		Nine months ended December 31, 2011		Change (revenues)		Change (profits)	
	Segment Revenues	Segment Profits	Segment Revenues	Segment Profits (losses)	Amount	Percent (%)	Amount	Percent (%)
Corporate Financial Services	¥ 59,896	¥ 8,314	¥ 53,523	¥ 14,749	¥ (6,373)	(11)	¥ 6,435	77
Maintenance Leasing	169,512	20,831	175,455	27,117	5,943	4	6,286	30
Real Estate	142,769	3,508	148,511	(2,877)	5,742	4	(6,385)	
Investment and Operation	66,012	11,349	56,679	17,810	(9,333)	(14)	6,461	57
Retail	109,538	21,067	116,969	15,321	7,431	7	(5,746)	(27)
Overseas Business	128,655	31,037	133,286	39,308	4,631	4	8,271	27
Total	676,382	96,106	684,423	111,428	8,041	1	15,322	16
Difference between Segment Total and Consolidated Amounts	19,266	(20,943)	30,164	(8,916)	10,898	57	12,027	
Total Consolidated Amounts	¥ 695,648	¥ 75,163	¥ 714,587	¥ 102,512	¥ 18,939	3	¥ 27,349	36

Total assets by segment as of March 31, 2011 and December 31, 2011 are as follows:

	Millions of yen					
	March 31, 2011		December 31, 2011		Change	
	Segment Assets	Composition ratio (%)	Segment Assets	Composition ratio (%)	Amount	Percent (%)
Corporate Financial Services	¥ 968,327	11.3	¥ 860,482	10.5	¥ (107,845)	(11)
Maintenance Leasing	502,738	5.9	521,486	6.4	18,748	4
Real Estate	1,539,814	17.9	1,405,440	17.2	(134,374)	(9)
Investment and Operation	506,011	5.9	499,447	6.1	(6,564)	(1)
Retail	1,653,704	19.3	1,701,641	20.7	47,937	3
Overseas Business	972,224	11.3	933,932	11.4	(38,292)	(4)
Total	6,142,818	71.6	5,922,428	72.3	(220,390)	(4)
Difference between Segment Total and Consolidated Amounts	2,438,764	28.4	2,272,170	27.7	(166,594)	(7)
Total Consolidated Amounts	¥ 8,581,582	100.0	¥ 8,194,598	100.0	¥ (386,984)	(5)

Compared to the same period of the previous fiscal year, segment profit in the Real Estate and Retail segments decreased, while segment profit in the Corporate Financial Services, Maintenance Leasing, Investment and Operation and Overseas Business segments increased.

In line with a change in management classification, the environment and energy-related businesses, which were previously included in the Corporate Financial Services segment have been included in the Investment and Operation segment since the second consolidated period.

Due to these changes, the reclassified figures are shown for the previous third consolidated period and the fiscal year ended March 31, 2011.

Segment information for the third consolidated period is as follows:

Corporate Financial Services Segment

This segment is involved in lending, leasing and the commission business for the sale of financial products.

Segment revenue decreased 11% to ¥53,523 million compared to ¥59,896 million during the same period of the previous fiscal year due to a decrease in installment loan revenues in line with a decrease in the average balance of installment loans as a result of selective new loan origination continuing from the previous fiscal year despite robust direct financing lease revenues.

Similarly, segment expenses decreased compared to the same period of the previous fiscal year, resulting from decreases in provision for doubtful receivables and probable loan losses and interest expense.

As a result, segment profit increased 77% to ¥14,749 million compared to ¥8,314 million during the same period of the previous fiscal year.

Segment assets decreased 11% compared to March 31, 2011 to ¥860,482 million due to declines in installment loans and investment in direct financing leases.

Maintenance Leasing Segment

This segment consists of automobile and rental operations. The automobile operations are comprised of automobile leasing, rentals and car sharing and the rental operations are comprised of leasing and rental of precision measuring and IT-related equipment.

Despite limited recovery in domestic capital expenditure and an otherwise bleak business environment outlook, Maintenance Leasing segment revenue has remained stable due to the ability to provide customers with high value-added services while meeting corporate customers cost reduction needs.

Segment revenue increased 4% to ¥175,455 million compared to ¥169,512 million during the same period of the previous fiscal year due to solid revenues from operating leases including the sales of used automobiles. Segment expenses have remained flat period on period.

As a result, segment profit increased 30% to ¥27,117 million compared to ¥20,831 million during the same period of the previous fiscal year.

Segment assets increased 4% compared to March 31, 2011 to ¥521,486 million resulting from stable investment in direct financing leases and operating lease assets.

Real Estate Segment

This segment consists of development and rental of commercial real estate and office buildings; condominium development and sales; hotel, golf course and training facility operation; senior housing development and management; REIT asset management; real estate investment and advisory services and real estate finance.

A post-earthquake drop in sales was feared in the residential condominium market, but calm is returning to the market as evidenced by contract completion rates surpassing the key benchmark level of 70% in the Tokyo metropolitan area. Under these conditions, the number of condominiums delivered increased to 732 units compared to 568 units during the same period of the previous fiscal year.

The office building market is still in an adjustment phase. However, investors such as J-REITs and overseas investors are starting to consider the acquisition of new properties. Under this environment, the real estate investment business is pursuing a policy of turning over assets while carefully monitoring the market and making appropriate asset sales.

The real estate operating business, which consists of various businesses such as hotels, Japanese inns, golf courses and training facilities, has stable revenues despite a small portion of facilities having experienced decreased revenues due to the Great East Japan Earthquake.

Segment revenue increased 4% to ¥148,511 million compared to ¥142,769 million during the same period of the previous fiscal year due to increases in real estate sales from the delivery of condominium units and operating lease revenues, despite a decrease in gains on sales of real estate under operating leases.

Segment expenses increased compared to the same period of the previous fiscal year due to increased write-downs of long-lived assets and cost of real estate sales.

As a result of the foregoing, segment profit recorded a loss of ¥2,877 million, down from a profit of ¥3,508 million during the same period of the previous fiscal year.

Segment assets decreased 9% compared to March 31, 2011 to ¥1,405,440 million due to the sales of real estate under operating leases and decreases in installment loans and investment in securities.

Investment and Operation Segment

This segment consists of loan servicing (asset recovery), principal investment, M&A advisory, venture capital, securities brokerage and the environment and energy -related businesses.

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The domestic IPO market has been stagnant since the Lehman Shock, but there continue to be steady corporate realignment activities such as mergers, acquisitions and de-listings.

Segment revenue decreased 14% to ¥56,679 million compared to ¥66,012 million during the same period of the previous fiscal year in line with decreased revenues as a result of the sale of a consolidated subsidiary during the previous fiscal year partially offset by gains on investment securities from the sale of Aozora Bank shares and robust collection and fee revenues in the servicing business.

Similarly, segment expenses decreased compared to the same period of the previous fiscal year due to the effects of the sale of a consolidated subsidiary during the previous fiscal year in addition to decreases in write-downs of securities and provision for doubtful receivables and probable loan losses.

As a result of the foregoing, segment profit increased 57% to ¥17,810 million compared to ¥11,349 million during the same period of the previous fiscal year due to an increase in profits from equity-method affiliates, despite the absence of the sale of a subsidiary that was recorded during the previous fiscal year.

Segment assets remained flat at ¥499,447 million compared to March 31, 2011.

Retail Segment

This segment consists of the life insurance business, the banking business and the card loan business.

In the life insurance business, life insurance premiums grew steadily due to an increase in the number of policies in force.

Both corporate lending and individual home loans steadily increased in the banking business, and both revenues and profits increased.

As a result of the foregoing, segment revenue increased 7% to ¥116,969 million compared to ¥109,538 million during the same period of the previous fiscal year. However, although segment expenses remained flat period on period, segment profit decreased 27% to ¥15,321 million compared to ¥21,067 million during the same period of the previous fiscal year resulting from the recognition of a write-down on the equity-method affiliate Monex Group, Inc..

Segment assets increased 3% compared to March 31, 2011 to ¥1,701,641 million due to an increase in installment loans offsetting a decrease in investment in affiliates.

Overseas Business Segment

This segment consists of leasing, lending, investment in bonds, investment banking, real estate-related operations, and ship- and aircraft-related operations in the United States, Asia, Oceania and Europe.

In the United States, business sentiment is improving and consumer spending continues to remain strong as employment continues to steadily improve. Meanwhile, despite continuing strong economic performance in emerging economies in Asia, there is the possibility of a short-term adjustment phase in Asia, in response to concerns regarding inflation and the effects of economic weakness in Europe and the United States.

Segment revenue increased 4% to ¥133,286 million compared to ¥128,655 million during the same period of the previous fiscal year due to direct financing leases in Asia, automobile and aircraft operating leases, in addition to continued strong gains on investment securities in the United States.

Segment expenses decreased compared to the same period of the previous fiscal year due to a decrease in selling, general and administrative expenses offsetting an increase in interest expense.

As a result, segment profit increased 27% to ¥39,308 million compared to ¥31,037 million during the same period of the previous fiscal year.

Segment assets decreased 4% compared to March 31, 2011 to ¥933,932 million due to the effects of the appreciated yen and sales of municipal bonds and loans in the United States, offsetting increases from new investments in a water company in China and a life insurance company in South Korea, in addition to the consolidation of an automobile-related service company in India.

ORIX has almost no direct exposure to assets or investments in Europe that would cause concerns relating to credit risk and there has been no direct impact on either segment profits or segment assets stemming from the European financial problems.

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(2) Financial Condition

	As of March 31, 2011	As of December 31, 2011	Change Amount	Percent (%)
Total assets (millions of yen)	8,581,582	8,194,598	(386,984)	(5%)
(Segment assets)	6,142,818	5,922,428	(220,390)	(4%)
Total liabilities (millions of yen)	7,206,652	6,764,117	(442,535)	(6%)
(Long- and short-term debt)	5,009,901	4,639,644	(370,257)	(7%)
(Deposits)	1,065,175	1,063,667	(1,508)	(0%)
ORIX Corporation shareholders equity (millions of yen)	1,319,341	1,357,579	38,238	3%
ORIX Corporation shareholders equity ratio	15.4%	16.6%	1.2%	
Adjusted ORIX Corporation shareholders equity ratio*	17.7%	18.8%	1.1%	
D/E ratio (Debt-to-equity ratio) (Short-and long-term debt (excluding deposits) / ORIX Corporation Shareholders equity)	3.8x	3.4x	(0.4)	
Adjusted D/E ratio*	3.0x	2.7x	(0.3)	

* Adjusted ORIX Corporation shareholders equity ratio and adjusted D/E ratio are non-GAAP financial measures presented on an adjusted basis which excludes certain assets or liabilities attributable to consolidated VIEs and reverses the cumulative effect on our retained earnings of applying the new accounting standards for the consolidation of VIE s under ASU 2009-16 and ASU 2009-17, effective April 1, 2010. For a discussion of this and other non-GAAP financial measures, including a quantitative reconciliation to the most directly comparable GAAP financial measures, see 5. NON-GAAP FINANCIAL MEASURES.

Total assets decreased 5% to ¥8,194,598 million from ¥8,581,582 million on March 31, 2011. Installment loans decreased as a result of selective loan origination, continuing from the previous fiscal year. Also, investment in securities decreased due to a decrease in trading securities overseas and specified bonds in Japan, which offset increases resulting from new transactions overseas in addition to a decrease in investment in affiliates due to the recognition of a write-down. Segment assets decreased 4% compared to March 31, 2011 to ¥5,922,428 million.

The balance of interest-bearing liabilities is controlled at an appropriate level depending on assets, cash flow and liquidity on-hand in addition to the domestic and overseas financial environment. As a result, long- and short-term debt and deposits decreased compared to March 31, 2011.

ORIX Corporation Shareholders equity increased 3% compared to March 31, 2011 to ¥1,357,579 million primarily due to an increase in retained earnings.

(3) Liquidity and Capital Resources

We require capital resources for working capital and investment and lending in our businesses. In setting funding strategies, we prioritize funding stability and maintaining adequate liquidity to minimize the effects of volatility in financial markets. In preparing our management plan, we consider asset structure and size in light of expected cash flows, asset liquidity and our own liquidity situation. In actual implementation, we adjust our funding plans at times in response to changes in external environments and funding necessities based on our business activities, and maintain flexible funding activities.

To help ensure adequate stability and reduce liquidity risk in actual funding activities, we have sought to diversify our funding resources, promote longer liability maturities, stagger interest and principal repayment dates, and maintain committed credit facilities from a stable base of financial institutions.

Funding was comprised of borrowings from financial institutions, direct fund procurement from capital markets, and deposit. ORIX Group s total funding including those from short- and long-term debt and deposits on a consolidated basis was ¥5,703,311 million as of December 31, 2011.

Borrowings were procured from a diverse range of financial institutions including major banks, regional banks, foreign banks, life and casualty insurance companies. The number of financial institutions from which we procured borrowings exceeded 200 as of December 31, 2011. Procurement from the capital markets was composed of bonds including unsecured convertible bonds, commercial paper, medium-term notes issued by the Company and overseas subsidiaries, payables under securitized leases, loan receivables and investment in securities (including asset backed securities). Three domestic and overseas subsidiaries accept deposits for funding purposes, with the majority of deposits attributable to ORIX Bank Corporation, which changed its name from ORIX Trust and Banking Corporation on October 1, 2011.

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In the efforts to promote longer maturities of liabilities and further diversified capital resources, we secured longer maturities of borrowings from various domestic financial institutions, and issued domestic straight bonds both for institutions as well as individuals and asset backed securities during the nine months ended December 31, 2011. We also made international efforts including issuing SEC registered U.S. dollar dominated senior notes in the United States, Renminbi dominated medium-term notes in the Chinese offshore market, and Won dominated unsecured notes in the Korean capital market. We intend to continue to strengthen our financial condition, while maintaining an appropriate balance of funding structure.

Debt

(a) Short-term debt

	Millions of yen	
	March 31, 2011	December 31, 2011
Borrowings from financial institutions	¥ 297,835	¥ 263,241
Notes		1,819
Commercial paper	180,798	202,061
Total	¥ 478,633	¥ 467,121

Short-term debt as of December 31, 2011 was ¥467,121 million, which accounts for 10% of the total amount of short and long-term debt (excluding deposits), with the same ratio as of March 31, 2011.

While the amount of short-term debt as of December 31, 2011 was ¥467,121 million, liquidity is maintained at an adequate level; the sum of cash and cash equivalent and available amount of the committed credit facilities as of December 31, 2011 was ¥1,052,080 million.

(b) Long-term debt

	Millions of yen	
	March 31, 2011	December 31, 2011
Borrowings from financial institutions	¥ 2,063,099	¥ 1,962,901
Bonds	1,361,789	1,256,372
Medium-term notes	88,190	70,157
Payable under securitized lease and loan receivables and other	1,018,190	883,093
Total	¥ 4,531,268	¥ 4,172,523

The balance of long-term debt as of December 31, 2011 was ¥4,172,523 million, which accounts for 90% of the total amount of short and long-term debts (excluding deposits), with the same ratio as of March 31, 2011. On an adjusted basis, our ratio of long-term debt to total debt (excluding deposits) was 88% as of December 31, 2011, with the same ratio as of March 31, 2011. This ratio is a non-GAAP financial measure presented on an adjusted basis that excludes payables under securitized leases, loan receivables and investment in securities. For a discussion of this and other non-GAAP financial measures including reconciliations to the most directly comparable financial measures presented in accordance with GAAP, see 5. NON-GAAP FINANCIAL MEASURES.

(c) Deposits

	Millions of yen	
	March 31, 2011	December 31, 2011
Deposits	¥ 1,065,175	¥ 1,063,667

Apart from the short-term and long-term debt noted above, ORIX Bank Corporation, ORIX Savings Bank, and ORIX Asia Limited accept deposits.

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(4) Summary of Cash Flows

Cash and cash equivalents decreased by ¥ 69,233 million to ¥662,894 million in the third consolidated period compared to March 31, 2011.

Cash flows from operating activities provided ¥211,490 million in the nine months ended December 31, 2011, up from ¥ 101,914 million during the same period of the previous fiscal year, resulting from an increase in quarterly net income and a decrease in trading securities, in addition to the non-cash revenue and expense items such as depreciation and amortization, provision for doubtful receivables and probable loan losses and equity in net income (loss) of affiliates (excluding interest on loans) compared to the same period of the previous fiscal year.

Cash flows from investing activities provided ¥60,039 million in the nine months ended December 31, 2011, while having provided ¥171,218 million during the same period of the previous fiscal year. This change was due to a decrease in principal collected on installment loans.

Cash flows from financing activities used ¥334,458 million in the nine months ended December 31, 2011, while having used ¥ 294,373 million during the same period of the previous fiscal year. This change was due to a decrease in net increase in funding from deposits due to customers for the nine months ended December 31, 2011.

(5) Challenges to be addressed

There were no significant changes for the nine months ended December 31, 2011.

(6) Research and Development Activity

There were no significant changes for the nine months ended December 31, 2011.

(7) Major facilities

Significant changes in major facilities for the nine months ended December 31, 2011 include the following:

New construction

We have finished the construction of a new regional head quarters in Nishi-ku, Osaka-shi, Osaka. The new head quarters allows us to manage our Osaka operations from a single location. The total investment for the facility was ¥13.6 billion.

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5. NON-GAAP FINANCIAL MEASURES

The sections in (2) Financial Condition and (3) Liquidity and Capital Resources contain certain financial measures presented on a basis not in accordance with U.S. GAAP (commonly referred to as non-GAAP financial measures), including long-term debt, ORIX Corporation Shareholders equity and total assets, as well as other measures or ratios calculated based on those measures, presented on an adjusted basis. The adjustment excludes payables under securitized leases, loan receivables and investment in securities and reverses the cumulative effect on retained earnings of applying the new accounting standards for the consolidation of VIEs, effective April 1, 2010.

Our management believes these non-GAAP financial measures provide investors with additional meaningful comparisons between our financial condition as of December 31, 2011, as compared to prior periods. Effective April 1, 2010, we adopted ASU 2009-16 and ASU 2009-17, which changed the circumstances under which we are required to consolidate certain VIEs. Our adoption of these new accounting standards caused a significant increase in our consolidated assets and liabilities and a decrease in our retained earnings without affecting the net cash flow and economic effects of our investments in such consolidated VIEs. Accordingly, our management believes that providing certain financial measures that exclude assets and liabilities attributable to consolidated VIEs as a supplement to financial information calculated in accordance with U.S. GAAP enhances the overall picture of our current financial position and enables investors to evaluate our historical financial and business trends without the large balance sheet fluctuation caused by our adoption of these new accounting standards.

We provide these non-GAAP financial measures as supplemental information to our consolidated financial statements prepared in accordance with U.S. GAAP, and they should not be considered in isolation or as substitutes for the most directly comparable U.S. GAAP measures.

The tables set forth below provide reconciliations of these non-GAAP financial measures to the most directly comparable financial measures presented in accordance with U.S. GAAP as reflected in our consolidated financial statements for the periods provided.

		2011	
		As of March 31,	As of December 31,
		(In millions of yen, except percentage data)	
Total assets	(a)	8,581,582	8,194,598
Deduct: Payables under securitized leases, loan receivables and investment in securities*		1,018,190	883,093
Adjusted total assets	(b)	7,563,392	7,311,505
Short-term debt	(c)	478,633	467,121
Long-term debt	(d)	4,531,268	4,172,523
Deduct: Payables under securitized leases, loan receivables and investment in securities*		1,018,190	883,093
Adjusted long-term debt	(e)	3,513,078	3,289,430
Short- and long-term debt (excluding deposits)	(f)=(c)+(d)	5,009,901	4,639,644
Adjusted short- and long-term debt (excluding deposits)	(g)=(c)+(e)	3,991,711	3,756,551
ORIX Corporation Shareholders equity	(h)	1,319,341	1,357,579
Deduct: The cumulative effect on retained earnings of applying the new accounting standards for the consolidation of VIEs under ASU 2009-16 and ASU 2009-17, effective April 1, 2010		(21,947)	(20,055)
Adjusted ORIX Corporation Shareholders equity	(i)	1,341,288	1,377,634
ORIX Corporation Shareholders Equity Ratio	(h)/(a)	15.4%	16.6%
Adjusted ORIX Corporation Shareholders Equity Ratio	(i)/(b)	17.7%	18.8%
D/E ratio (Debt-to-equity ratio)	(f)/(h)	3.8x	3.4x
Adjusted D/E ratio	(g)/(i)	3.0x	2.7x
Long-term debt ratio	(d)/(f)	90%	90%
Adjusted long-term debt ratio	(e)/(g)	88%	88%

* These deductions represent amounts recorded as liabilities and included in long-term debt on the consolidated balance sheet.

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6. Company Stock Information

(Following disclosure is provided for ORIX Corporation on a stand-alone basis and has been prepared based on Japanese GAAP.)

(1) Information of Issued Shares, Common Stock and Additional Paid-in Capital

The information of the number of issued shares, the amount of common stock and additional paid-in capital for the three months ended December 31, 2011 is as follows:

In thousands		Millions of yen			
Number of issued shares		Common stock		Additional paid-in capital	
Increase, net	December 31, 2011	Increase, net	December 31, 2011	Increase, net	December 31, 2011
	110,249		¥ 144,007		¥ 171,187

(2) List of Major Shareholders

Not applicable (This item is not subject to disclosure in quarterly reports for the first and third quarters).

7. Information of the Directors and the Executive Officers

(Following disclosure is provided for ORIX Corporation on a stand-alone basis.)

Between the filing date of Form 20-F for the fiscal year ended March 31, 2011 and December 31, 2011, changes of the directors and the executive officers are as follows:

(1) Ex- Executive officer

Name	Title	Areas of duties	The day of retirement
Mitsuo Nishiumi	Corporate Senior Vice President	Head of Investment and Operation Headquarters	December 31, 2011
Keiji Ito	Executive Officer	Domestic Sales Administrative Headquarters: Head of Corporate Sales Planning	December 31, 2011

(2) Changes of Position

Name	New Position	Former-Position	The day of changes
Mitsuo Nishiumi	Corporate Senior Vice President Head of Investment and Operation Headquarters	Corporate Senior Vice President Head of Investment Banking Headquarters	September 1, 2011
Yuichi Nishigori	Executive Officer Acting Head of Investment and Operation Headquarters	Executive Officer Deputy Head of Investment Banking Headquarters	September 1, 2011

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8. Financial Information

(1) Condensed Consolidated Balance Sheets (Unaudited)

	Millions of yen	
Assets	**March 31, 2011**	**December 31, 2011**
Cash and Cash Equivalents	¥ 732,127	¥ 662,894
Restricted Cash	118,065	122,103
Time Deposits	5,148	7,020
Investment in Direct Financing Leases	830,853	839,630
Installment Loans	2,983,164	2,741,097
(The amount of ¥8,896 million of installment loans as of December 31, 2011 is measured at fair value by electing the fair value option under FASB Accounting Standards Codification 825-10.)		
Allowance for Doubtful Receivables on Direct Financing Leases and Probable Loan Losses	(154,150)	(131,538)
Investment in Operating Leases	1,270,295	1,270,104
Investment in Securities	1,175,381	1,167,720
Other Operating Assets	235,430	236,418
Investment in Affiliates	373,376	340,220
Other Receivables	182,013	166,126
Inventories	108,410	95,409
Prepaid Expenses	44,551	45,422
Office Facilities	102,403	123,782
Other Assets	574,516	508,191
Total Assets	¥ 8,581,582	¥ 8,194,598

Accounting Standards Update 2009-17 (ASC810-10 (Consolidation)) has been adopted since April 1, 2010. Pursuant to ASU 2009-17, the assets of consolidated variable interest entities (VIEs) that can be used only to settle obligations of those VIEs are below:

	Millions of yen	
Assets	**March 31, 2011**	**December 31, 2011**
Cash and Cash Equivalents	¥ 14,267	¥ 17,052
Investment in Direct Financing Leases (Net of Allowance for Doubtful Receivables on Direct Financing Leases and Probable Loan Losses)	242,309	242,801
Installment Loans (Net of Allowance for Doubtful Receivables on Direct Financing Leases and Probable Loan Losses)	830,689	711,507
Investment in Operating Leases	195,221	212,899
Investment in Securities	51,883	54,814
Investment in Affiliates	17,441	11,034
Others	121,811	98,671
	¥ 1,473,621	¥ 1,348,778

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Liabilities and Equity	Millions of yen March 31, 2011	Millions of yen December 31, 2011
Liabilities:		
Short-Term Debt	¥ 478,633	¥ 467,121
Deposits	1,065,175	1,063,667
Trade Notes, Accounts Payable and Other Liabilities	304,354	266,708
Accrued Expenses	118,359	95,333
Policy Liabilities	398,265	399,386
Current and Deferred Income Taxes	182,501	165,472
Security Deposits	128,097	133,907
Long-Term Debt	4,531,268	4,172,523
Total Liabilities	7,206,652	6,764,117
Redeemable Noncontrolling Interests	33,902	34,056
Commitments and Contingent Liabilities		
Equity:		
Common Stock	143,995	144,007
Additional Paid-in Capital	179,137	179,210
Retained Earnings	1,141,559	1,201,783
Accumulated Other Comprehensive Income (Loss)	(96,180)	(118,418)
Treasury Stock, at Cost	(49,170)	(49,003)
ORIX Corporation Shareholders Equity	1,319,341	1,357,579
Noncontrolling Interests	21,687	38,846
Total Equity	1,341,028	1,396,425
Total Liabilities and Equity	¥ 8,581,582	¥ 8,194,598

Accounting Standards Update 2009-17 (ASC810-10 (Consolidation)) has been adopted since April 1, 2010. Pursuant to ASU 2009-17, the liabilities of consolidated VIEs for which creditors (or beneficial interest holders) do not have recourse to the general credit of the Company and subsidiaries are below:

Liabilities	Millions of yen March 31, 2011	Millions of yen December 31, 2011
Short-Term Debt	¥ 1,847	¥ 1,266
Trade Notes, Accounts Payable and Other Liabilities	9,803	11,730
Security Deposits	6,884	7,614
Long-Term Debt	1,160,042	1,023,495
Others	6,674	7,412
	¥ 1,185,250	¥ 1,051,517

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(2) Condensed Consolidated Statements of Income (Unaudited)

	Millions of yen	
	Nine months ended December 31, 2010	**Nine months ended December 31, 2011**
Revenues:		
Direct financing leases	¥ 38,106	¥ 37,998
Operating leases	209,514	223,871
Interest on loans and investment securities	127,949	112,370
Brokerage commissions and net gains on investment securities	14,013	19,608
Life insurance premiums and related investment income	86,272	93,216
Real estate sales	23,426	26,162
Gains on sales of real estate under operating leases	1,945	2,105
Other operating revenues	194,423	199,257
Total revenues	695,648	714,587
Expenses:		
Interest expense	93,695	84,894
Costs of operating leases	139,846	141,563
Life insurance costs	65,597	67,766
Costs of real estate sales	25,768	27,389
Other operating expenses	114,073	119,587
Selling, general and administrative expenses	150,699	142,159
Provision for doubtful receivables and probable loan losses	18,882	8,268
Write-downs of long-lived assets	4,719	11,482
Write-downs of securities	17,930	9,865
Foreign currency transaction loss (gain), net	(140)	(248)
Total expenses	631,069	612,725
Operating Income	64,579	101,862
Equity in Net Income (loss) of Affiliates	9,014	(1,847)
Gains on Sales of Subsidiaries and Affiliates and Liquidation Losses, Net	1,570	2,497
Income before Income Taxes and Discontinued Operations	75,163	102,512
Provision for Income Taxes	29,364	32,070
Income from Continuing Operations	45,799	70,442
Discontinued Operations:		
Income from discontinued operations, net	10,594	1,670
Provision for income taxes	(3,809)	(652)
Discontinued operations, net of applicable tax effect	6,785	1,018
Net Income	52,584	71,460
Net Income Attributable to the Noncontrolling Interests	185	903
Net Income Attributable to the Redeemable Noncontrolling Interests	1,601	1,787

Net Income Attributable to ORIX Corporation	¥ 50,798	¥ 68,770

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	Millions of yen	
	Nine months ended December 31, 2010	Nine months ended December 31, 2011
Income attributable to ORIX Corporation:		
Income from continuing operations	¥ 44,178	¥ 67,914
Discontinued operations	6,620	856
Net income attributable to ORIX Corporation	50,798	68,770

	Yen	
	Nine months ended December 31, 2010	Nine months ended December 31, 2011
Amounts per Share of Common Stock for Income attributable to ORIX Corporation:		
Basic:		
Income from continuing operations	¥ 411.01	¥ 631.72
Discontinued operations	61.59	7.96
Net income attributable to ORIX Corporation	472.60	639.68
Diluted:		
Income from continuing operations	¥ 348.35	¥ 527.77
Discontinued operations	50.16	6.49
Net income attributable to ORIX Corporation	398.51	534.26

	Millions of yen	
	Three months ended December 31, 2010	Three months ended December 31, 2011
Revenues:		
Direct financing leases	¥ 13,346	¥ 12,899
Operating leases	70,248	73,857
Interest on loans and investment securities	40,735	36,897
Brokerage commissions and net gains on investment securities	2,732	648
Life insurance premiums and related investment income	26,707	29,791
Real estate sales	4,007	9,960
Gains on sales of real estate under operating leases	1,507	1,852
Other operating revenues	67,176	66,922
Total revenues	226,458	232,826
Expenses:		
Interest expense	29,356	27,460
Costs of operating leases	46,318	47,017
Life insurance costs	20,861	21,605
Costs of real estate sales	7,140	10,828
Other operating expenses	38,296	39,746
Selling, general and administrative expenses	53,438	48,932
Provision for doubtful receivables and probable loan losses	5,173	(529)
Write-downs of long-lived assets	994	9,582
Write-downs of securities	6,034	3,236
Foreign currency transaction loss (gain), net	(270)	(152)
Total expenses	207,340	207,725
Operating Income	19,118	25,101

Equity in Net Income of Affiliates	3,143	963
Gains on Sales of Subsidiaries and Affiliates and Liquidation Losses, Net	1,224	675

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		Three months ended		Three months ended
		Millions of yen		
		Three months ended December 31, 2010		Three months ended December 31, 2011
Income before Income Taxes and Discontinued Operations		23,485		26,739
Provision for Income Taxes		9,679		2,411
Income from Continuing Operations		13,806		24,328
Discontinued Operations:				
Income from discontinued operations, net		4,906		(511)
Provision for income taxes		(1,246)		202
Discontinued operations, net of applicable tax effect		3,660		(309)
Net Income		17,466		24,019
Net Income Attributable to the Noncontrolling Interests		20		62
Net Income Attributable to the Redeemable Noncontrolling Interests		701		522
Net Income Attributable to ORIX Corporation	¥	16,745	¥	23,435

		Three months ended		Three months ended
		Millions of yen		
		Three months ended December 31, 2010		Three months ended December 31, 2011
Income attributable to ORIX Corporation:				
Income from continuing operations	¥	13,152	¥	23,746
Discontinued operations		3,593		(311)
Net income attributable to ORIX Corporation		16,745		23,435

		Three months ended		Three months ended
		Yen		
		Three months ended December 31, 2010		Three months ended December 31, 2011
Amounts per Share of Common Stock for Income attributable to ORIX Corporation:				
Basic:				
Income from continuing operations	¥	122.36	¥	220.87
Discontinued operations		33.42		(2.89)
Net income attributable to ORIX Corporation		155.78		217.98
Diluted:				
Income from continuing operations	¥	104.08	¥	184.31
Discontinued operations		27.74		(2.36)
Net income attributable to ORIX Corporation		131.82		181.95

(3) Condensed Consolidated Statements of Comprehensive Income (Unaudited)

	Three months ended	Three months ended
	Millions of yen	
	Nine months ended December 31, 2010	**Nine months ended December 31, 2011**
Net Income	¥ 52,584	¥ 71,460
Other comprehensive income (loss), net of tax:		
Net change of unrealized gains (losses) on investment in securities	5,405	(4,335)
Net change of defined benefit pension plans	150	105
Net change of foreign currency translation adjustments	(29,251)	(22,888)
Net change of unrealized gains (losses) on derivative instruments	(129)	(128)
Total other comprehensive income (loss)	(23,825)	(27,246)

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	Three months ended	Three months ended
	Millions of yen	
	Nine months ended December 31, 2010	Nine months ended December 31, 2011
Comprehensive Income (Loss)	28,759	44,214
Comprehensive Income (Loss) Attributable to the Noncontrolling Interests	(676)	(1,771)
Comprehensive Income (Loss) Attributable to the Redeemable Noncontrolling Interests	(1,528)	(572)
Comprehensive Income (Loss) Attributable to ORIX Corporation	¥ 30,963	¥ 46,557

	Three months ended	Three months ended
	Millions of yen	
	Three months ended December 31, 2010	Three months ended December 31, 2011
Net Income	¥ 17,466	¥ 24,019
Other comprehensive income (loss), net of tax:		
Net change of unrealized gains (losses) on investment in securities	4,916	1,348
Net change of defined benefit pension plans	(1)	(11)
Net change of foreign currency translation adjustments	(5,748)	4,529
Net change of unrealized gains (losses) on derivative instruments	(640)	(794)
Total other comprehensive income (loss)	(1,473)	5,072
Comprehensive Income (Loss)	15,993	29,091
Comprehensive Income (Loss) Attributable to the Noncontrolling Interests	(141)	867
Comprehensive Income (Loss) Attributable to the Redeemable Noncontrolling Interests	45	989
Comprehensive Income (Loss) Attributable to ORIX Corporation	¥ 16,089	¥ 27,235

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(4) Condensed Consolidated Statements of Changes in Equity (Unaudited)

Nine months ended December 31, 2010

	Millions of yen							
	ORIX Corporation Shareholders Equity							
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total ORIX Corporation Shareholders Equity	Noncontrolling Interests	Total Equity
Beginning Balance Before Adjustment	¥ 143,939	¥ 178,661	¥ 1,104,779	¥ (79,459)	¥ (49,236)	¥ 1,298,684	¥ 17,777	¥ 1,316,461
Cumulative effect of applying new accounting standards for the consolidation of variable interest entities			(22,495)	(3,406)		(25,901)	4,233	(21,668)
Beginning Balance After Adjustment	143,939	178,661	1,082,284	(82,865)	(49,236)	1,272,783	22,010	1,294,793
Contribution to Subsidiaries							3,820	3,820
Transaction with noncontrolling interests		197		4		201	(1,963)	(1,762)
Comprehensive income (loss), net of tax:								
Net income			50,798			50,798	185	50,983
Other comprehensive income (loss)								
Net change of unrealized gains (losses) on investment in securities				5,347		5,347	58	5,405
Net change of defined benefit pension plans				150		150		150
Net change of foreign currency translation adjustments				(25,189)		(25,189)	(933)	(26,122)
Net change of unrealized gains (losses) on derivative instruments				(143)		(143)	14	(129)
Total other comprehensive income (loss)						(19,835)	(861)	(20,696)
Total comprehensive income (loss)						30,963	(676)	30,287
Cash dividends			(8,061)			(8,061)	(1,992)	(10,053)
Conversion of convertible bond	3	3				6		6
Exercise of stock options	11	11				22		22
Compensation cost of stock options		142				142		142
Acquisition of treasury stock					(1)	(1)		(1)
Other, net		140	(448)		18	(290)		(290)
Ending balance	¥ 143,953	¥ 179,154	¥ 1,124,573	¥ (102,696)	¥ (49,219)	¥ 1,295,765	¥ 21,199	¥ 1,316,964

* Changes in the redeemable noncontrolling interests are not included in the table. For further information, see Note 9 Redeemable Noncontrolling Interests .

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Nine months ended December 31, 2011

	Millions of yen							
	ORIX Corporation Shareholders Equity							
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total ORIX Corporation Shareholders Equity	Noncontrolling Interests	Total Equity
Beginning Balance	¥ 143,995	¥ 179,137	¥ 1,141,559	¥ (96,180)	¥ (49,170)	¥ 1,319,341	¥ 21,687	¥ 1,341,028
Contribution to Subsidiaries							20,935	20,935
Transaction with noncontrolling interests		48		(25)		23	(321)	(298)
Comprehensive income (loss), net of tax:								
Net income			68,770			68,770	903	69,673
Other comprehensive income (loss)								
Net change of unrealized gains (losses) on investment in securities				(4,425)		(4,425)	90	(4,335)
Net change of defined benefit pension plans				105		105		105
Net change of foreign currency translation adjustments				(17,774)		(17,774)	(2,755)	(20,529)
Net change of unrealized gains (losses) on derivative instruments				(119)		(119)	(9)	(128)
Total other comprehensive income (loss)						(22,213)	(2,674)	(24,887)
Total comprehensive income (loss)						46,557	(1,771)	44,786
Cash dividends			(8,599)			(8,599)	(1,684)	(10,283)
Conversion of convertible bond	1	1				2		2
Exercise of stock options	11	11				22		22
Acquisition of treasury stock					(1)	(1)		(1)
Other, net		13	53		168	234		234
Ending balance	¥ 144,007	¥ 179,210	¥ 1,201,783	¥ (118,418)	¥ (49,003)	¥ 1,357,579	¥ 38,846	¥ 1,396,425

*

Changes in the redeemable noncontrolling interests are not included in the table. For further information, see Note 9 Redeemable Noncontrolling Interests .

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(5) Condensed Consolidated Statements of Cash Flows (Unaudited)

	Millions of yen	
	Nine months ended December 31, 2010	Nine months ended December 31, 2011
Cash Flows from Operating Activities:		
Net income	¥ 52,584	¥ 71,460
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	125,288	124,541
Provision for doubtful receivables and probable loan losses	18,882	8,268
Increase (Decrease) in policy liabilities	(13,986)	1,121
Equity in net (income) loss of affiliates (excluding interest on loans)	(7,622)	2,753
Gains on sales of subsidiaries and affiliates and liquidation losses, net	(1,570)	(2,497)
Gains on sales of available-for-sale securities	(4,876)	(8,370)
Gains on sales of real estate under operating leases	(1,945)	(2,105)
Gains on sales of operating lease assets other than real estate	(7,300)	(12,346)
Write-downs of long-lived assets	4,719	11,482
Write-downs of securities	17,930	9,865
Increase in restricted cash	(8,601)	(2,995)
Decrease (Increase) in trading securities	(34,354)	34,071
Decrease (Increase) in inventories	(1,850)	11,879
Decrease in other receivables	6,400	12,276
Decrease in trade notes, accounts payable and other liabilities	(13,589)	(10,061)
Other, net	(28,196)	(37,852)
Net cash provided by operating activities	101,914	211,490
Cash Flows from Investing Activities:		
Purchases of lease equipment	(412,727)	(439,772)
Principal payments received under direct financing leases	284,104	256,458
Installment loans made to customers	(529,732)	(513,861)
Principal collected on installment loans	819,086	671,225
Proceeds from sales of operating lease assets	108,763	145,728
Investment in affiliates, net	12,707	1,278
Proceeds from sales of investment in affiliates	1,283	2,864
Purchases of available-for-sale securities	(584,736)	(532,962)
Proceeds from sales of available-for-sale securities	266,074	242,844
Proceeds from redemption of available-for-sale securities	247,404	265,673
Purchases of other securities	(27,965)	(39,147)
Proceeds from sales of other securities	18,883	15,304
Purchases of other operating assets	(9,546)	(13,532)
Acquisitions of subsidiaries, net of cash acquired	(21,545)	(3,548)
Sales of subsidiaries, net of cash disposed	9,107	3,458
Other, net	(9,942)	(1,971)
Net cash provided by investing activities	171,218	60,039

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	Millions of yen	
	Nine months ended December 31, 2010	Nine months ended December 31, 2011
Cash Flows from Financing Activities:		
Net decrease in debt with maturities of three months or less	(53,915)	(53,346)
Proceeds from debt with maturities longer than three months	1,128,316	1,065,639
Repayment of debt with maturities longer than three months	(1,469,807)	(1,346,528)
Net increase in deposits due to customers	126,241	3,500
Cash dividends paid to ORIX Corporation shareholders	(8,061)	(8,599)
Contribution from noncontrolling interests		20,258
Cash dividends paid to redeemable noncontrolling interests	(5,961)	(124)
Net decrease in call money	(8,000)	(10,000)
Other, net	(3,186)	(5,258)
Net cash used in financing activities	(294,373)	(334,458)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(9,494)	(6,304)
Net decrease in Cash and Cash Equivalents	(30,735)	(69,233)
Cash and Cash Equivalents at Beginning of Year	639,087	732,127
Cash and Cash Equivalents at End of Period	¥ 608,352	¥ 662,894

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Notes to Consolidated Financial Statements

1. Overview of Accounting Principles Utilized

In preparing the accompanying consolidated financial statements, ORIX Corporation (the Company) and its subsidiaries have complied with accounting principles generally accepted in the United States of America (U.S. GAAP), modified for the accounting for stock splits (see Note 2 (n)).

These statements include all adjustments (consisting of normal recurring accruals) that we considered necessary to present a fair statement of our results of operations, financial position and cash flows. The results reported in these condensed consolidated financial statements should not be regarded as necessarily indicative of results that may be expected for the entire year. It is suggested that these condensed consolidated financial statements be read in conjunction with the financial statements and notes thereto included in our March 31, 2011 consolidated financial statements.

Since the Company listed on the New York Stock Exchange in September 1998, the Company has filed the annual report (Form 20-F) including the consolidated financial statements with the Securities and Exchange Commission.

Significant differences between U.S. GAAP and generally accepted accounting principles in Japan (Japanese GAAP) are as follows:

(a) Initial direct costs

Under U.S. GAAP, certain initial direct costs to originate leases or loans are being deferred and amortized as yield adjustments over the life of related direct financing leases or loans by using interest method.

On the other hand, under Japanese GAAP, those initial direct costs are recognized as expenses when they are incurred.

(b) Operating leases

Under U.S. GAAP, revenues from operating leases are recognized on a straight-line basis over the contract terms. Also operating lease assets are depreciated over their estimated useful lives mainly on a straight-line basis.

On the other hand, Japanese GAAP allows for operating lease assets to be depreciated using either the declining-balance basis or straight-line basis.

(c) Accounting for life insurance operations

Based on ASC 944 (Financial Services Insurance), certain costs associated with writing insurances, or deferred policy acquisition costs, are being deferred and amortized over the respective policy periods in proportion to anticipated premium revenue.

Under Japanese GAAP, such costs are recorded as expenses currently in earnings in each accounting period.

In addition, under U.S. GAAP, although policy liabilities for future policy benefits are established using the net level premium method, based on actuarial estimates of the amount of future policyholder benefits, under Japanese GAAP, these are calculated by the methodology which relevant authorities accept.

(d) Accounting for goodwill and other intangible assets in business combination

Under U.S. GAAP, the Company and its subsidiaries test for impairment of goodwill and any intangible assets that are not subject to amortization at least annually. Additionally, if events or changes in circumstances indicate that the asset might be impaired, the Company and its subsidiaries test for impairment when such events or changes occur.

Under Japanese GAAP, goodwill is amortized over an appropriate period up to 20 years.

(e) Accounting for pension plans

Under U.S. GAAP, the Company and its subsidiaries apply ASC 715 (Compensation- Retirement Benefits) and record pension costs based on the amounts determined using actuarial methods. The net actuarial loss is amortized using a corridor test. The Company and its subsidiaries also recognize the funded status of pension plans, measured as the difference between the fair value of plan assets and the benefit obligation, on the consolidated balance sheets.

Under Japanese GAAP, the net actuarial loss is fully amortized over a certain term within the average remaining service period of employees. The pension liabilities are recorded for the difference between the plan assets and the benefit obligation, net of unrecognized prior service cost and net actuarial loss, on the consolidated balance sheets.

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(f) Reporting on discontinued operations

Under U.S. GAAP, in accordance with ASC 205-20 (Presentation of Financial Statements Discontinued Operations), the financial results of discontinued operations and disposal gain or loss, net of applicable income tax effects, are presented as a separate line from continuing operations in the consolidated statements of income. The prior periods results of these discontinued operations have also been reclassified as income from discontinued operations in each prior period presented in the accompanying consolidated statements of income and consolidated statements of cash flows.

Under Japanese GAAP, there are no rules on reporting discontinued operations and the amounts are not presented separately from continuing operations.

(g) Presentation of net income in the consolidated statements of income

Under U.S. GAAP, net income consists of net income attributable to the parent and net income attributable to the noncontrolling interests. Each of them is separately stated in the consolidated statements of income.

Under Japanese GAAP, net income attributable to the minority interests is not included in net income.

(h) Partial sale and additional acquisition of the parent s ownership interest in subsidiaries

Under U.S. GAAP, a partial sale and an additional acquisition of the parent s ownership interest in subsidiaries where the parent continues to retain control of that subsidiary are accounted for as equity transactions. On the other hand, in a transaction that results in the loss of control, the gain or loss recognized in income includes the realized gain or loss related to the portion of ownership interest sold and the gain or loss on the remeasurement to fair value of the interest retained.

Under Japanese GAAP, a partial sale of the parent s ownership interest where the parent continues to retain control is accounted for as a profit-loss transaction and an additional acquisition of the parent s ownership interest is accounted for as a business combination. In addition, in a transaction that results in the loss of control, only the realized gain or loss related to the portion of ownership interest sold is recognized in income and the gain or loss on the remeasurement to fair value of the interest retained is not recognized.

(i) Classification in consolidated statements of cash flows

Classification in the statements of cash flows under U.S. GAAP is based on ASC 230 (Statement of Cash Flows), which differs from Japanese GAAP. As significant differences, purchase of lease equipment and principal payments received under direct financing leases, proceeds from sales of operating lease assets, installment loans made to customers and principal collected on installment loans (excluding issues and collections of loans held for sale) are included in Cash Flows from Investing Activities under U.S. GAAP while they are classified as Cash Flows from Operating Activities under Japanese GAAP.

(j) Securitization of financial assets

Under U.S. GAAP, from April 1, 2010, because the exception to variable interest entities that are qualifying special-purpose entities has been removed, an enterprise is required to perform analysis to determine whether or not to consolidate these special-purpose entities (SPEs) for securitization under the VIE s consolidation rules. As a result of the analysis, if it is determined that the enterprise transferred financial assets in a securitization transaction to SPE that needs to be consolidated, the transaction is not accounted for as a sale but accounted for as a secured borrowing.

Under Japanese GAAP, an SPE that meets certain conditions may be considered not to be a subsidiary of the investor or transferor. Therefore, if an enterprise transfers financial assets to this type of SPE in a securitization transaction, the transferee SPE is not required to be consolidated, and the enterprise accounts for the transaction as a sale and recognizes a gain or loss on the sale into earnings when control over the transferred assets is surrendered.

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2. Significant Accounting and Reporting Policies

(a) Principles of consolidation

The consolidated financial statements include the accounts of the Company and all of its subsidiaries. Investments in affiliates, where the Company has the ability to exercise significant influence by way of 20%-50% ownership or other means, are accounted for by using the equity method. Where the Company holds majority voting interests but noncontrolling shareholders have substantive participating rights to decisions that occur as part of the ordinary course of their business, the equity method is applied pursuant to FASB Accounting Standards Codification (ASC) 810-10-25-2 to 14 (Consolidation The effect of Noncontrolling Rights on Consolidation). In addition, the consolidated financial statements also include variable interest entities to which the Company and its subsidiaries are primary beneficiaries pursuant to ASC 810-10 (Consolidation Variable Interest Entities).

A lag period of up to three months is used on a consistent basis when considered necessary and appropriate for recognizing the results of subsidiaries and affiliates.

All significant intercompany accounts and transactions have been eliminated in consolidation.

(b) Use of estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Company has identified ten areas where it believes assumptions and estimates are particularly critical to the financial statements. These are the selection of valuation techniques and determination of assumptions used in fair value measurements (see Note 3), the determination and periodic reassessment of the unguaranteed residual value for direct financing leases and operating leases (see (d)), the determination and reassessment of insurance policy liabilities and deferred policy acquisition costs (see (e)), the determination of the allowance for doubtful receivables on direct financing leases and probable loan losses (see (f)), the determination of impairment of long-lived assets (see (g)), the determination of impairment of investment in securities (see (h)), the determination of valuation allowance for deferred tax assets and the evaluation of tax positions (see (i)), assessment and measurement of effectiveness in hedging relationship using derivative financial instruments (see (k)), the determination of benefit obligation and net periodic pension cost (see (l)) and the determination of impairment of goodwill and intangible assets not subject to amortization (see (w)).

(c) Foreign currencies translation

The Company and its subsidiaries maintain their accounting records in their functional currency. Transactions in foreign currencies are recorded in the entity s functional currency based on the prevailing exchange rates on the transaction date.

The financial statements of overseas subsidiaries and affiliates are translated into Japanese yen by applying the exchange rates in effect at the end of each fiscal period to all assets and liabilities. Income and expenses are translated at the average rates of exchange prevailing during the fiscal period. The currencies in which the operations of the overseas subsidiaries and affiliates are conducted are regarded as the functional currencies of these companies. Foreign currency translation adjustments reflected in accumulated other comprehensive income (loss) arise from the translation of foreign currency financial statements into Japanese yen.

(d) Recognition of revenues

Revenues are recognized when persuasive evidence of an arrangement exists, the service has been rendered or the goods have been delivered to the customer, the transaction price is fixed or determinable and collectibility is reasonably assured.

In addition to the aforementioned general policy, the policies as specifically described hereinafter are applied for each of the major revenue items.

Leases The Company and its subsidiaries lease various assets to customers under direct financing or operating lease arrangements. Classification of a lease arrangement into either a direct financing lease or an operating lease is dependent upon the specific conditions of the arrangement. Revenue recognition policies applied for direct financing leases and operating leases are specifically described in sections following this paragraph. In providing leasing services, the Company and its subsidiaries execute supplemental services, such as paying insurance and handling taxes on leased assets on behalf of lessees. In some cases, automobile maintenance services are also provided to lessees. Where under terms of the lease or related maintenance agreements the Company and its subsidiaries bear the favorable or unfavorable variability of cost, revenues and expenses are recorded on a gross basis. For those arrangements in which the Company and its subsidiaries do not have substantial risks and rewards of ownership, but instead serve as an agent in collecting from lessees and remitting payments to third parties, the Company and its subsidiaries record revenues net of third-party services costs. Revenues from automobile maintenance services are taken into income over the contract period in proportion to the estimated service costs to be incurred and are recorded in other operating revenues in the accompanying consolidated statements of income.

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(1) Recognition of revenues for direct financing leases

Direct financing leases consist of full-payout leases for various equipment types, including office equipment, industrial machinery and transportation equipment. The excess of aggregate lease rentals plus the estimated unguaranteed residual value over the cost of the leased equipment constitutes the unearned lease income to be taken into income over the lease term by using the interest method. The estimated residual values represent estimated proceeds from the disposition of equipment at the time the lease is terminated. Estimates of unguaranteed residual values are based on current market values of used equipment, estimates of when and how much equipment will become obsolete, and actual recovery being experienced for similar used equipment. Initial direct costs are being deferred and amortized as a yield adjustment over the life of the related lease by using interest method. The unamortized balance of initial direct costs is reflected as a component of investment in direct financing leases.

(2) Recognition of revenues for operating leases

Revenues from operating leases are recognized on a straight-line basis over the contract terms. Investment in operating leases is stated at cost less accumulated depreciation, which was ¥402,697 million and ¥413,570 million as of March 31, 2011 and December 31, 2011, respectively. Operating lease assets are depreciated over their estimated useful lives mainly on a straight-line basis. Depreciation expenses are included in costs of operating leases. Gains or losses arising from dispositions of operating lease assets, except real estate under operating leases, are included in operating lease revenues. With respect to some sales of real estate under operating leases such as commercial buildings, the Company or its subsidiaries may retain an interest in some cash flows of the real estate in the form of management or operation of the real estate. Where the Company or its subsidiaries have significant continuing involvement in the operations from the real estate under operating leases which have been disposed of, the gains or losses arising from such disposition are separately disclosed as gains on sales of real estate under operating leases, whereas if the Company or its subsidiaries have no significant continuing involvement in the operations from such disposed real estate, the gains or losses are reported as income from discontinued operations, net.

Estimates of residual values are based on current market values of used equipment, estimates of when and how much equipment will become obsolete and actual recovery being experienced for similar used equipment.

Installment loans Interest income on installment loans is recognized on an accrual basis. Certain direct loan origination costs, offset by loan origination fees, are being deferred and amortized over the contractual term of the loan as an adjustment of the related loan s yield using the interest method.

Interest payments received on impaired loans other than purchased loans are recorded as interest income unless the collection of the remaining investment is doubtful at which time payments received are recorded as reductions of principal. For purchased loans, although the acquired assets may remain loans in legal form, collections on these loans often do not reflect the normal historical experience of collecting delinquent accounts, and the need to tailor individual collateral-realization strategies often makes it difficult to reliably estimate the amount, timing, or nature of collections. Accordingly, the Company and its subsidiaries use the cost recovery method of income recognition for such purchased loans regardless of whether impairment is recognized or not.

Non-accrual policy In common with all classes, past-due financing receivables are receivables for which principal or interest is past-due 30 days or more. Loans whose terms have been modified are not classified as past-due financing receivables if the principals and interests are not past-due 30 days or more in accordance with the modified terms. The Company and its subsidiaries suspend accruing revenues on past-due installment loans and direct financing leases when principal or interest is past-due 90 days or more, or earlier, if management determines that their collections are doubtful based on factors such as individual debtors creditworthiness, historical loss experience, current delinquencies and delinquency trends. Accrued but uncollected interest is reclassified to investment in direct financing leases or installment loans in the accompanying consolidated balance sheets and becomes subject to the allowance for doubtful receivables and probable loan loss process. Cash repayments received on non-accrual loans are applied first against past due interest and then any surpluses are applied to principal in view of the conditions of the contract and obligors. The Company and its subsidiaries return to accrual status non-accrual loans and lease receivables when it becomes certain that the Company and its subsidiaries will be able to collect all amounts due according to the contractual terms of these loans and receivables, as evidenced by continual payments from the debtors.

Brokerage commissions and net gains on investment securities Brokerage commissions and net gains on investment securities are recorded on a trade date basis.

Real estate sales Revenues from the sales of real estate are recognized when a contract is in place, a closing has taken place, the buyer s initial and continuing investment is adequate to demonstrate a commitment to pay for the property and the Company and its subsidiaries do not have a substantial continuing involvement in the property.

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(e) Insurance premiums and expenses

Premium income from life insurance policies is recognized as earned premiums when due.

Life insurance benefits are recorded as expenses when they are incurred. Policy liabilities for future policy benefits are established using the net level premium method, based on actuarial estimates of the amount of future policyholder benefits.

ASC 944 (Financial Services Insurance) requires insurance companies to defer certain costs associated with writing insurances, or deferred policy acquisition costs, and amortize them over the respective policy periods in proportion to anticipated premium revenue. These deferred policy acquisition costs are the costs related to the acquisition of new and renewal insurance policies and consist primarily of first-year commissions in excess of recurring policy maintenance costs and certain variable costs and expenses for underwriting policies.

Amortization charged to income for the nine months ended December 31, 2010 and 2011 amounted to ¥7,015 million and ¥6,433 million, respectively.

Amortization charged to income for the three months ended December 31, 2010 and 2011 amounted to ¥2,098 million and ¥1,853 million, respectively.

(f) Allowance for doubtful receivables on direct financing leases and probable loan losses

The allowance for doubtful receivables on direct financing leases and probable loan losses is maintained at a level which, in the judgment of management, is appropriate to provide for probable losses inherent in lease and loan portfolios. The allowance is increased by provision charged to income and is decreased by charge-offs, net of recoveries.

Developing the allowance for doubtful receivables on direct financing leases and probable loan losses is subject to numerous estimates and judgments. In evaluating the adequacy of the allowance, management considers various factors, including the business characteristics and financial conditions of the obligors, current economic conditions and trends, prior charge-off experience, current delinquencies and delinquency trends, future cash flows expected to be received from the direct financing leases and loans and value of underlying collateral and guarantees. Impaired loans are individually evaluated for a valuation allowance based on the present value of expected future cash flows, the loan s observable market price or the fair value of the collateral securing the loans if the loans are collateral-dependent. For non-impaired loans, including loans that are not individually evaluated for impairment, and direct financing leases, the Company and its subsidiaries evaluate prior charge-off experience segmented by the debtors industries and the purpose of the loans, and then develop the allowance for doubtful receivables on direct financing leases and probable loan losses considering the prior charge-off experience and current economic conditions.

The Company and its subsidiaries charge off doubtful receivables when the likelihood of any future collection is believed to be minimal considering debtors creditworthiness and the liquidation status of collateral.

(g) Impairment of long-lived assets

The Company and its subsidiaries have followed ASC 360-10 (Property, Plant, and Equipment Impairment or Disposal of Long-Lived Assets). Under ASC 360-10, long-lived assets to be held and used in operations, including tangible assets and intangible assets being amortized, consisting primarily of office building, condominiums, golf courses and other operating assets, shall be tested for recoverability whenever events or changes in circumstances indicate that the assets might be impaired. When the undiscounted future cash flows estimated to be generated by those assets are less than the carrying amount of those assets, the net carrying amount of assets not recoverable is reduced to fair value if lower than the carrying amount. The Company and its subsidiaries determine the fair value using appraisals prepared by independent third party appraisers or our own staff of qualified appraisers based on recent transactions involving sales of similar assets or other valuation techniques such as discounted cash flows methodologies using future cash flows estimated to be generated from operation of the existing assets or completion of development projects, as appropriate.

(h) Investment in securities

Trading securities are reported at fair value with unrealized gains and losses included in income.

Available-for-sale securities are reported at fair value, and unrealized gains or losses are recorded in accumulated other comprehensive income (loss), net of applicable income taxes.

Held-to-maturity securities are recorded at amortized cost.

Other securities are recorded at cost or carrying value that reflects equity income and loss based on the investor s share.

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For available-for-sale securities, the Company and its subsidiaries generally recognize losses related to equity securities for which the fair value has been significantly below the acquisition cost (or current carrying value if an adjustment has been made in the past) for more than six months. Also, the Company and its subsidiaries charge against income losses related to equity securities in situations where, even though the fair value has not remained significantly below the carrying value for six months, the decline in the fair value of an equity security is based on issuer s specific economic conditions and not just general declines in the related market and where it is considered unlikely that the fair value of the equity security will recover within the six months.

For debt securities, in the case of the fair value being below the amortized cost, the Company and its subsidiaries consider whether those securities are other-than-temporarily impaired using all available information about the collectibility. The Company and its subsidiaries do not consider that an other-than-temporary impairment for a debt security has occurred if (1) the Company and its subsidiaries do not intend to sell the debt security, (2) it is not more likely than not that the Company and its subsidiaries will be required to sell the debt security before recovery of its amortized cost basis, and (3) the present value of estimated cash flows will fully cover the amortized cost of the security. On the other hand, the Company and its subsidiaries consider that an other-than-temporary impairment has occurred if (1) the Company and its subsidiaries intend to sell the debt security, (2) it is more likely than not that the Company and its subsidiaries will be required to sell the debt security before recovery of its amortized cost basis, or (3) the present value of estimated cash flows will not fully cover the amortized cost of the security. For the debt security for which an other-than-temporary impairment is considered to have occurred, the Company and its subsidiaries recognize the entire difference between the amortized cost and the fair value in earnings if the Company and its subsidiaries intend to sell the debt security or it is more likely than not that the Company and its subsidiary will be required to sell the debt security before recovery of its amortized cost basis less any current-period credit loss. On the other hand, if the Company and its subsidiaries do not intend to sell the debt security and it is not more likely than not that the Company and its subsidiaries will be required to sell the debt security before recovery of its amortized cost basis less any current-period credit loss, the Company and its subsidiaries separate the difference between the amortized cost and the fair value of the debt securities into the credit loss component and the non-credit loss component. The credit loss component is recognized in earnings, and the non-credit loss component is recognized in other comprehensive income (loss), net of applicable income taxes.

For other securities, the Company and its subsidiaries reduce the carrying value of other securities to the fair value and charge against income losses related to other securities in situations where it is considered that the decline in the value of other securities is other than temporary.

(i) Income taxes

The Company, in general, determines its provision for income taxes for quarterly periods by applying the current estimate of the effective tax rate for the full fiscal year to the actual year-to-date income before income taxes and discontinued operations. The estimated effective tax rate is determined by dividing the estimated provision for income taxes for the full fiscal year by the estimated income before income taxes and discontinued operations for the full fiscal year.

At the fiscal year end, income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rate is recognized in income in the period that includes the enactment date. A valuation allowance is recognized if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realized.

The effective income tax rates including discontinued operations are 38.7% and 31.4% for the nine months ended December 31, 2010 and 2011, respectively. These rates are 38.5% and 8.4% for the three months ended December 31, 2010 and 2011, respectively. The Company and its subsidiaries in Japan are subject to a National Corporate tax of 30%, an Inhabitant tax of approximately 6% and a deductible Enterprise tax of approximately 8%, which in the aggregate resulted in a statutory income tax rate of approximately 40.9%. The effective income tax rate is different from the statutory tax rate primarily because of certain non-deductible expenses for tax purposes, non-taxable income for tax purposes, a change in valuation allowance, the effect of lower income tax rates on foreign subsidiaries and a life insurance subsidiary in Japan and the effect of the tax reforms as discussed in the following paragraph.

On November 30, 2011, the bill for reconstruction funding after the March 11, 2011 Great East Japan Earthquake and the bill for the 2011 tax reform were approved by the National Diet of Japan. From fiscal years beginning on or after April 1, 2012, the Japanese corporation tax rate will be reduced, and as a result, the statutory income tax rate for fiscal years beginning between April 1, 2012 and March 31, 2015 will be reduced to approximately 38.3%. The rate for fiscal years beginning after April 1, 2015 will be reduced to approximately 35.9%. In addition, tax loss carry-forward rules have been amended. The Carry-forward period will be extended to 9 years, compared to 7 years under the pre-amendment rules. Further, the deductible amount will be limited to 80% of taxable income for the year, while total amount of taxable income for the year was available for the deduction under the pre-amendment rules. The amendment to the carry-forward period will be applicable for tax losses incurred in fiscal years ending on or after April 1, 2008 and the amendment to the deductible amount will be applicable for fiscal years beginning on or after April 1, 2012.

Increase and decrease of the deferred tax assets and liabilities due to these tax reforms resulted in a decrease of provision for income taxes by ¥7,661 million in the accompanying consolidated statements of income.

The Company and its subsidiaries have followed ASC 740 (Income Taxes). According to ASC 740, the Company and its subsidiaries recognize the financial statement effects of a tax position taken or expected to be taken in a tax return when it is more likely than not, based on the technical merits, that the position will be sustained upon tax examination, including resolution of any related appeals or litigation processes, and measure the tax position that meets the recognition threshold at the largest amount of tax benefit that is greater than 50% likely of being realized upon settlement with the taxing authority. The Company and its subsidiaries classify penalties and interest expense related to income taxes as part of provision for income taxes in the consolidated statements of income.

Effective for the fiscal year ended March 31, 2012, the Company and certain consolidated subsidiaries have adopted the consolidated taxation system.

(j) Securitized assets

The Company and its subsidiaries have securitized and sold to investors certain lease receivables, loan receivables and investment in securities. In the securitization process, the assets to be securitized (the assets) are sold to trusts and special-purpose entities that issue asset-backed beneficial interests and securities to the investors.

From April 1, 2010, the Company and its subsidiaries have adopted Accounting Standards Update 2009-16 (ASC 860 (Transfers and Servicing)), which removed the exemption from consolidation previously given to QSPEs and any SPEs for securitizing financial assets have become subject to the consolidation rule for VIEs. As a result, trusts or SPEs used in securitization transactions including those that were previously considered to be QSPEs of which the Company and its subsidiaries are the primary beneficiary have been consolidated, and the transfers of the financial assets to those consolidated trusts and SPEs are not accounted for as sales. Assets held by consolidated trusts or consolidated SPEs continue to be accounted for as direct financing lease receivables, loan receivable and investment securities, as they were before the transfer, and asset-backed beneficial interests and securities issued to the investors are accounted for as debt. In case the Company and its subsidiaries have transferred financial assets to a transferee which is not subject to consolidation, the Company and its subsidiaries account for the transfer as a sale when control over the transferred assets is surrendered.

A certain subsidiary originates and sells loans into the secondary market, while retaining the obligation to service those loans. In addition, it undertakes obligations to service loans originated by others. The subsidiary recognizes servicing assets if it expects the benefit of servicing to more than adequately compensate it for performing the servicing or recognizes servicing liabilities if it expects the benefit of servicing to less than adequately compensate it. These servicing assets and liabilities are initially recognized at fair value and subsequently accounted for using the amortization method whereby the assets and liabilities are amortized in proportion to and over the period of estimated net servicing income or net servicing loss. On a quarterly basis, servicing assets and liabilities are evaluated for impairment or increased obligations.

The fair value of servicing assets and liabilities is estimated using an internal valuation model, or by obtaining an opinion of value from an independent third-party vendor. Both methods are based on calculating the present value of estimated future net servicing cash flows, taking into consideration discount rates, prepayments, and servicing costs. The internal valuation model is validated at least semiannually through third-party valuations.

(k) Derivative financial instruments

The Company and its subsidiaries apply ASC 815 (Derivatives and Hedging), and all derivatives held by the Company and its subsidiaries are recognized on the consolidated balance sheets at fair value. The accounting treatment of subsequent changes in their fair value depends on their use, and whether they qualify as effective hedges for accounting purposes. Derivatives that are not hedges must be adjusted to fair value through the consolidated statements of income. If a derivative is a hedge, then depending on its nature, changes in its fair value will be either offset against change in the fair value of hedged assets or liabilities through the consolidated statements of income, or recorded in other comprehensive income (loss).

If a derivative is held as a hedge of the variability of fair value related to a recognized asset or liability or an unrecognized firm commitment (fair value hedge), changes in the fair value of the derivative are recorded in earnings along with the changes in the fair value of the hedged item.

If a derivative is held as a hedge of the variability of cash flows related to a forecasted transaction or a recognized asset or liability (cash flow hedge), changes in the fair value of the derivative are recorded in other comprehensive income (loss) to the extent that the derivative is effective as a hedge, until earnings are affected by the variability in cash flows of the designated hedged item.

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If a derivative is held as a hedge of a foreign-currency fair-value or cash-flow hedge (foreign currency hedge), changes in the fair value of the derivative are recorded in either earnings or other comprehensive income (loss), depending on whether the hedged transaction is a fair-value hedge or a cash-flow hedge. However, if a derivative is used as a hedge of a net investment in a foreign operation, changes in its fair value, to the extent effective as a hedge, are recorded in the foreign currency translation adjustments account within other comprehensive income (loss).

Changes in the fair value of a derivative, which is not held as a hedge, such as those held for trading use, or the ineffective portion of the change in fair value of a derivative that qualifies as a hedge, are recorded in earnings.

For all hedging relationships, at inception the Company and its subsidiaries formally document the details of the hedging relationship and hedged activity. The Company and its subsidiaries also formally assess, both at the hedge s inception and on an ongoing basis, the effectiveness of the hedge relationship. The Company and its subsidiaries cease hedge accounting prospectively when the derivative no longer qualifies for hedge accounting.

(l) Pension plans

The Company and certain subsidiaries have contributory and non-contributory pension plans covering substantially all of their employees. The Company and its subsidiaries apply ASC 715 (Compensation Retirement Benefits), and the costs of pension plans are accrued based on amounts determined using actuarial methods under the assumptions of discount rate, rate of increase in compensation level, expected long-term rate of return on plan assets and others.

The Company and its subsidiaries also recognize the funded status of pension plans, measured as the difference between the fair value of plan assets and the benefit obligation, on the consolidated balance sheet. Changes in that funded status are recognized in the year in which the changes occur through other comprehensive income (loss), net of applicable income taxes.

(m) Stock-based compensation

The Company and its subsidiaries apply ASC 718 (Compensation Stock Compensation). ASC 718 requires, with limited exception, that the cost of employee services received in exchange for an award of equity instruments be measured based on the grant-date fair value. The costs are recognized over the requisite employee service period.

(n) Stock splits

Stock splits implemented prior to October 1, 2001 had been accounted for by transferring an amount equivalent to the par value of the shares from additional paid-in capital to common stock as required by the Japanese Commercial Code (the Code) before amendment. However, no such reclassification was made for stock splits when common stock already included a portion of the proceeds from shares issued at a price in excess of par value. This method of accounting was in conformity with accounting principles generally accepted in Japan.

As a result of a revision to the Code before amendment effective on October 1, 2001 and the Companies Act implemented on May 1, 2006, the above-mentioned method of accounting required by the Code has become unnecessary.

In the United States, stock splits in comparable circumstances are considered to be stock dividends and are accounted for by transferring from retained earnings to common stock and additional paid-in capital amounts equal to the fair market value of the shares issued. Common stock is increased by the par value of the shares and additional paid-in capital is increased by the excess of the market value over par value of the shares issued. Had such stock splits made prior to October 1, 2001 been accounted for in this manner, additional paid-in capital as of December 31, 2011 would have increased by approximately ¥24,674 million, with a corresponding decrease in retained earnings. Total ORIX Corporation shareholders equity would remain unchanged. A stock split on May 19, 2000 was excluded from the above amounts because the stock split was not considered to be a stock dividend under U.S. GAAP.

(o) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits placed with banks and short-term highly liquid investments with original maturities of three months or less.

(p) Restricted cash

Restricted cash consists of deposits related to servicing agreements, deposits collected on behalf of the customers and applied to non-recourse loans, trust accounts under securitization programs and others.

(q) Installment loans

Certain loans, which the Company and its subsidiaries have the intent and ability to sell to outside parties in the foreseeable future, are considered held for sale and are carried at the lower of cost or market value determined on an individual basis, except loans held for sale for which the fair value option under ASC825-10 (Financial Instruments Fair Value Option) were elected. A subsidiary elected the fair value option under ASC 825-10 (Financial Instruments Fair Value Option) on its loans held for sale originated on or after October 1, 2011. The subsidiary enters into forward sale agreements to offset the change in the fair value of loans held for sale and the election of the fair value option allows the subsidiary to recognize both the change in the fair value of the loans and the change in the fair value of the forward sale agreements due to changes in interest rates in the same accounting period.

These loans held for sale are included in installment loans and the outstanding balances of these loans as of March 31, 2011 and December 31, 2011 were ¥13,718 million and ¥8,896 million, respectively. All of loans held for sale as of December 31, 2011 are measured at fair value by electing the fair value option.

(r) Other operating assets

Other operating assets consist primarily of operating facilities (including golf courses, hotels, training facilities and senior housing), which are stated at cost less accumulated depreciation, and depreciation is calculated mainly on a straight-line basis over the estimated useful lives of the assets. Accumulated depreciation was ¥34,739 million and ¥37,826 million as of March 31, 2011 and December 31, 2011, respectively.

(s) Other receivables

Other receivables include primarily payments made on behalf of lessees for property tax, maintenance fees and insurance premiums in relation to direct financing lease contracts, accounts receivables in relation to sales of assets to be leased, residential condominiums and other assets, and derivative assets.

(t) Inventories

Inventories consist primarily of advance and/or progress payments for development of residential condominiums for sale and completed residential condominiums (including completed residential condominiums waiting to be delivered to buyers under the contracts for sale). Advance and/or progress payments for development of residential condominiums for sale are carried at cost less any impairment losses and finished goods (including completed residential condominiums) are stated at the lower of cost or market. As of March 31, 2011, and December 31, 2011, advance and/or progress payments were ¥96,197 million and ¥86,766 million, respectively, and finished goods were ¥12,213 million and ¥8,643 million, respectively.

For the nine months ended December 31, 2010 and 2011, a certain subsidiary recorded ¥2,998 million and ¥1,833 million of write-downs principally for advance and/or progress payments for development of residential condominiums for sale, resulting from an increase in development costs and/or a decrease in expected sales price. The amounts of such write-downs for the three months ended December 31, 2010 and the three months ended December 31, 2011 were ¥2,548 million and ¥1,323 million, respectively. These write-downs were recorded in costs of real estate sales and included in the Real Estate segment.

(u) Office facilities

Office facilities are stated at cost less accumulated depreciation. Depreciation is calculated on a declining-balance basis or straight-line basis over the estimated useful lives of the assets. Accumulated depreciation was ¥39,057 million and ¥39,051 million as of March 31, 2011 and December 31, 2011, respectively.

(v) Other assets

Other assets consist primarily of the excess of purchase prices over the net assets acquired in acquisitions (goodwill) and other intangible assets (see (w)), deferred insurance policy acquisition costs which are amortized over the contract periods, leasehold deposits, advance payments made in relation to purchases of assets to be leased and to construction of real estate for operating lease, and deferred tax assets.

(w) Goodwill and other intangible assets

The Company and its subsidiaries have followed ASC 805 (Business Combinations) and ASC 350 (Intangibles Goodwill and Other). ASC 805 requires that all business combinations be accounted for using the acquisition method. ASC 805 also requires that intangible assets acquired in a business combination be recognized apart from goodwill if the intangible assets meet one of two criteria either the contractual-legal criterion or the separability criterion.

ASC 350 establishes how intangible assets (other than those acquired in a business combination) should be accounted for upon acquisition. It also addresses how goodwill and other intangible assets should be accounted for subsequent to their acquisition. Both goodwill and intangible assets that have indefinite useful lives are not amortized but tested at least annually for impairment. The Company and its subsidiaries test the goodwill either at the operating segment level or one level below the operating segments.

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Intangible assets with finite lives are amortized over their useful lives and tested for impairment in accordance with ASC 360-10 (Property, Plant, and Equipment Impairment or Disposal of Long-Lived Assets).

The amount of goodwill is ¥94,790 million and ¥92,685 million as of March 31, 2011 and December 31, 2011, respectively.

(x) Trade notes, accounts payable and other liabilities

Trade notes, accounts payable and other liabilities include accounts payables, guarantee liabilities, and derivative liabilities.

(y) Capitalization of interest costs

The Company and its subsidiaries capitalized interest costs related to specific long-term development projects.

(z) Advertising

The costs of advertising are expensed as incurred.

(aa) Discontinued operations

The Company and its subsidiaries have followed ASC 205-20 (Presentation of Financial Statements Discontinued Operations). Under ASC 205-20, the scope of discontinued operations includes the operating results of any component of an entity with its own identifiable operations and cash flow and in which operations the Company and its subsidiaries will not have significant continuing involvement. Included in reported discontinued operations are the operating results of operations for the subsidiaries, the business units and certain properties sold or to be disposed of by sale without significant continuing involvements, which results of operations for prior periods presented have also been reclassified as discontinued operations in the accompanying consolidated statements of income.

(ab) Earnings per share

Basic earnings per share is computed by dividing income attributable to ORIX Corporation from continuing operations and net income attributable to ORIX Corporation by the weighted average number of shares of common stock outstanding in each period and diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. Earnings per share is adjusted for any stock splits and stock dividends retroactively.

Furthermore, the Company and its subsidiaries apply ASC 260-10-45-43 to 44 (Earnings Per Share Contingently Convertible Instruments) to Liquid Yield Option Notes™.

(ac) Partial sale and additional acquisition of the parent s ownership interest in subsidiaries

A partial sale and an additional acquisition of the parent s ownership interest in subsidiaries where the parent continues to retain control of that subsidiary are accounted for as equity transactions. On the other hand, in a transaction that results in the loss of control, the gain or loss recognized in income includes the realized gain or loss related to the portion of ownership interest sold and the gain or loss on the remeasurement to fair value of the interest retained.

(ad) Redeemable noncontrolling interests

Noncontrolling interest in certain subsidiaries are subject to call and put rights upon certain shareholder events. As redemption of the noncontrolling interest is not solely in the control of the subsidiary, it is recorded between Liabilities and Equity on the consolidated balance sheets at its estimated redemption value in accordance with provisions including EITF Topic No. D-98 (ASC 480-10-s99-3A) (Classification and Measurement of Redeemable Securities).

(ae) Issuance of stock by an affiliate

When an affiliate issues stocks to unrelated third parties, the Company and its subsidiaries ownership interest in the affiliate decreases. In the event that the price per share is more or less than the Company and its subsidiaries average carrying amount per share, the Company and its subsidiaries adjust the carrying amount of its investment in the affiliate and recognize gain or loss in the consolidated statements of income in the year in which the change in ownership interest occurs.

(af) New accounting pronouncements

In January 2010, Accounting Standards Update 2010-06 (Improving Disclosures about Fair Value Measurements ASC 820 (Fair Value Measurements and Disclosures)) was issued. This Update improves existing disclosures and adds new disclosures. The Company and its subsidiaries adopted certain disclosure requirements in the roll forward of activity in Level 3 fair value measurements on April 1, 2011.

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The Company and its subsidiaries already adopted the other disclosure requirements in the period ended March 31, 2010. The adoption did not have a material effect on the Company and its subsidiaries results of operation or financial position.

In July 2010, Accounting Standards Update 2010-20 (Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses ASC 310 (Receivables)) was issued. This Update enhances disclosures about the credit quality of financing receivables and the allowance for credit losses, by requiring an entity to provide disaggregated information by portfolio segment or class of financing receivables, credit quality indicators, past due information, and information about modifications of its financing receivables, and other information. This Update requires the disclosures as of the end of a reporting period, and the disclosures about activity that occurs during a reporting period. The Company and its subsidiaries adopted the period-end disclosure requirements for the period ended December 31, 2010, and the activity disclosure requirements for the period beginning on April 1, 2011, respectively. This Update only relates to certain disclosure requirements and its adoption had no effect on the Company and its subsidiaries results of operations or financial position. In April 2011, Accounting Standards Update 2011-02 (A Creditor s Determination of Whether a Restructuring Is a Troubled Debt Restructuring ASC 310 (Receivables)) was issued. This Update clarifies the guidance on a creditor s evaluation of whether a restructuring constitutes a troubled debt restructuring. Additionally, this Update requires entities to disclose certain information about troubled debt restructuring, which was deferred by the adoption of Accounting Standards Update 2011-01 (Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings in Update No.2010-20 ASC 310 (Receivables)). The Company and its subsidiaries adopted this Update on July 1, 2011 and applied the amendments in this Update retrospectively to restructurings that occurred on or after April 1, 2011. The adoption did not have a material effect on the Company and its subsidiaries results of operations or financial position.

In October 2010, Accounting Standards Update 2010-26 (Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts ASC 944 (Financial Services Insurance)) was issued. This Update modifies the current definition of the types of costs relating to the acquisition of new and renewal insurance contracts that can be deferred as deferred acquisition costs, and specifies that only certain costs related directly to the successful acquisition of new or renewal insurance contracts should be deferred. In accordance with the amendment in this Update, the advertising cost which does not meet certain capitalization criteria, and the cost relating to unsuccessful contract acquisition should be charged to expense as incurred. The Update is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2011 and should be applied prospectively. Retrospective application to all prior periods presented upon the date of adoption, and early adoption are permitted. The Company and its subsidiaries are currently evaluating the effect that the adoption of this Update will have on the Company and its subsidiaries results of operations and financial position.

In December 2010, Accounting Standards Update 2010-28 (When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts ASC 350 (Goodwill and Other)) was issued. This Update modifies Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For these reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. Any resulting goodwill impairment should be recorded as a cumulative effect adjustment to beginning retained earnings in the period of adoption. Any goodwill impairments occurring after the initial adoption of the Update should be included in earnings. The Company and its subsidiaries adopted this Update on April 1, 2011. The adoption did not have a material effect on the Company and its subsidiaries results of operations or financial position.

In December 2010, Accounting Standards Update 2010-29 (Disclosure of Supplementary Pro Forma Information for Business Combinations ASC 805 (Business Combinations)) was issued. This Update specifies that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The Company and its subsidiaries adopted this Update on April 1, 2011. This Update only relates to certain disclosure requirements and its adoption had no effect on the Company and its subsidiaries results of operations or financial position.

In May 2011, Accounting Standards Update 2011-04 (Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs ASC 820 (Fair Value Measurement)) was issued. This Update is intended to result in a consistent definition of fair value and common requirements for measuring fair value and for disclosures about fair value between U.S. GAAP and IFRSs. Consequently, this Update changes some fair value measurement principles and enhances the disclosure requirements. The Update is effective for interim and annual periods beginning after December 15, 2011. Early application is not permitted. The adoption will not have a significant effect on the Company and its subsidiaries results of operations or financial position.

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In June 2011, Accounting Standards Update 2011-05 (Presentation of Comprehensive Income ASC220 (Comprehensive Income)) was issued. Under this Update, an entity has the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. The Update does not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. The Update does not change the option for an entity to present components of other comprehensive income either net of related tax effects or before related tax effects. The Update does not affect how earnings per share is calculated or presented. In December 2011, Accounting Standards Update 2011-12 (Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No.2011-05) was issued. This Update defers the effective date for certain amendments in Accounting Standards Update 2011-05 which require an entity to present on the face of the financial statements reclassification adjustments for items that are reclassified from other comprehensive income to net income. These Updates are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011 and should be applied retrospectively. Early adoption is permitted. These Updates only relate to certain disclosure requirements and their adoption will have no effect on the Company and its subsidiaries results of operations or financial position.

In September 2011, Accounting Standards Update 2011-08 (Testing Goodwill for Impairment ASC350 (Intangibles Goodwill and Other)) was issued. This Update permits an entity to assess qualitative factor to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount including goodwill before performing the two-step goodwill impairment test. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is not required. The Update is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted. The adoption of this Update will not have a significant effect on the Company and its subsidiaries results of operations or financial position.

In December 2011, Accounting Standards Update 2011-10 (Derecognition of in Substance Real Estate a Scope Clarification ASC 360 (Property, Plant, and Equipment)) was issued. This Update is intended to resolve the diversity in practice and clarifies that when a parent (reporting entity) ceases to have a controlling financial interest in a subsidiary that is in substance real estate as a result of default on the subsidiary s non-recourse debt, the reporting entity should apply the guidance in ASC 360-20 (Property, Plant, and Equipment Real Estate Sales) to determine whether it should derecognize the in substance real estate. The Update is effective for fiscal years, and interim periods within those years, beginning on or after June 15, 2012. Early application is permitted. Generally, the effect of adopting this Update on the Company and its subsidiaries results of operations or financial position of this Update will depend on future transactions.

In December 2011, Accounting Standards Update 2011-11 (Disclosures about Offsetting Assets and Liabilities ASC 210 (Balance Sheet)) was issued. This Update requires all entities that have financial instruments and derivative instruments that are either offset in the balance sheet or subject to an enforceable master netting arrangement or similar agreement to disclose information about offsetting and related arrangements. The Update is effective for fiscal years, and interim periods within those years, beginning on or after January 1, 2013. The Update only relates to certain disclosure requirements and its adoption will have no effect on the Company and its subsidiaries results of operations or financial position.

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3. Fair Value Measurements

The Company and its subsidiaries adopted ASC 820-10 (Fair Value Measurements and Disclosures). This Codification Section defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements.

This Codification Section classifies and prioritizes inputs used in valuation techniques to measure fair value into the following three levels:

Level 1	Inputs of quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.
Level 3	Unobservable inputs for the assets or liabilities.

This Codification Section differentiates between those assets and liabilities required to be carried at fair value at every reporting period (recurring) and those assets and liabilities that are only required to be adjusted to fair value under certain circumstances (nonrecurring). The Company and its subsidiaries measure mainly trading securities, available-for-sale securities, certain investment funds and derivatives at fair value on a recurring basis.

The following table presents recorded amounts of major financial assets and liabilities measured at fair value on a recurring basis as of March 31, 2011 and December 31, 2011:

March 31, 2011

	Millions of yen			
	Total Carrying Value in Consolidated Balance Sheets	Quoted Prices in Active Markets for Identical assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets:				
Trading securities	¥ 71,991	¥ 763	¥ 71,228	¥
Available-for-sale securities	883,410	74,914	492,820	315,676
Japanese and foreign government bond securities	169,345	19,995	149,350	
Japanese prefectural and foreign municipal bond securities	34,968		34,968	
Corporate debt securities	292,032		289,459	2,573
Specified bonds issued by SPEs in Japan	222,314			222,314
CMBS and RMBS in the U.S., and other asset-backed securities	87,874		2,591	85,283
Other debt securities	5,506			5,506
Equity securities	71,371	54,919	16,452	
Other securities	10,023		10,023	
Investment funds	10,023		10,023	
Derivative assets	22,985	1,306	18,497	3,182
Interest rate swap agreements	2,070		2,070	
Options held/written, caps held, and other	3,467		333	3,134
Futures, foreign exchange contracts	2,633	1,306	1,327	
Foreign currency swap agreements	14,766		14,766	
Credit derivatives held/written	49		1	48
	¥ 988,409	¥ 76,983	¥ 592,568	¥ 318,858
Financial Liabilities:				
Derivative liabilities	¥ 42,076	¥ 977	¥ 40,863	¥ 236
Interest rate swap agreements	1,320		1,320	
Options held/written, caps held, and other	2,071		2,071	

Futures, foreign exchange contracts	4,968	977	3,991	
Foreign currency swap agreements	33,481		33,481	
Credit derivatives held/written	236			236
	¥ 42,076	¥ 977	¥ 40,863	¥ 236

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December 31, 2011

	Millions of yen			
	Total Carrying Value in Consolidated Balance Sheets	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets:				
Loans held for sale*	¥ 8,896	¥	¥ 8,896	¥
Trading securities	33,818	166	33,652	
Available-for-sale securities	880,582	107,107	501,632	271,843
Japanese and foreign government bond securities	173,482	50,321	123,161	
Japanese prefectural and foreign municipal bond securities	58,644	27	58,617	
Corporate debt securities	306,217		303,328	2,889
Specified bonds issued by SPEs in Japan	162,396			162,396
CMBS and RMBS in the U.S., and other asset-backed securities	100,591		1,619	98,972
Other debt securities	7,586			7,586
Equity securities	71,666	56,759	14,907	
Other securities	5,239		5,239	
Investment funds	5,239		5,239	
Derivative assets	19,666	559	15,381	3,726
Interest rate swap agreements	4,625		4,625	
Options held/written, caps held and other	4,101		375	3,726
Futures, foreign exchange contracts	2,107	559	1,548	
Foreign currency swap agreements	8,671		8,671	
Credit derivatives held	162		162	
	¥ 948,201	¥ 107,832	¥ 564,800	¥ 275,569
Financial Liabilities:				
Derivative liabilities	¥ 9,595	¥ 557	¥ 9,038	¥
Interest rate swap agreements	1,433		1,433	
Options held/written, caps held and other	2,678		2,678	
Futures, foreign exchange contracts	1,793	557	1,236	
Foreign currency swap agreements	3,687		3,687	
Credit derivatives held	4		4	
	¥ 9,595	¥ 557	¥ 9,038	¥

* A subsidiary elected the fair value option under ASC825-10 (Financial Instruments Fair Value Option) on the loans held for sale originated on and after October 1, 2011. These loans are multi-family and seniors housing loans and are sold to Federal National Mortgage Association (Fannie Mae) or institutional investors. Included in other operating revenues in the consolidated statements of income are gains from the change in the fair value of the loans of ¥404 million and ¥404 million, for the nine months ended December 31, 2011 and for the three months ended December 31, 2011, respectively. No gains or losses were recognized in earnings during the nine months ended December 31, 2011 and for the three months ended December 31, 2011, attributable to changes in instrument-specific credit risk. The amounts of aggregate unpaid principal balance and aggregate fair value at December 31, 2011, are ¥8,492 million and ¥8,896 million, respectively, and the amount of aggregate fair value exceeds the amount of aggregate unpaid principal balance by ¥404 million. There are no loans that are 90 days or more past due, in non-accrual status, or both.

Changes in economic conditions or valuation methodologies may require the transfer of assets and liabilities from one fair value level to another. In such instances, the Company and its subsidiaries recognize the transfer at the beginning of the reporting period. The Company and its subsidiaries evaluate the significance of transfers between levels based upon size of the transfer relative to total assets, total liabilities or total earnings. For the nine months and the three months ended December 31, 2010 and 2011, there were no significant transfers between Level 1 and

Level 2.

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The following table presents the reconciliation for financial assets and liabilities (net) measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the nine months ended December 31, 2010 and 2011:

Nine months ended December 31, 2010

	Millions of yen							
		Gains or losses (realized/unrealized)						
	Balance at April 1, 2010	Included in earnings *1	Included in other comprehensive income	Total	Purchases, sales, and settlements (net)	Transfers in and/ or out of Level 3 (net) *2	Balance at December 31, 2010	Change in unrealized gains or losses included in earnings for assets and liabilities still held at December 31, 2010 *1
Trading securities	¥ 53	¥ (26)	¥ (2)	¥ (28)	¥ (25)	¥	¥	¥
Available-for-sale securities	401,804	(7,705)	(3,192)	(10,897)	(47,333)	(43,536)	300,038	(7,733)
Corporate debt securities	6,841	10	(66)	(56)	(2,080)	(2,057)	2,648	(23)
Specified bonds issued by SPEs in Japan	246,305	(4,993)	1,491	(3,502)	(41,473)	7,929	209,259	(5,031)
CMBS and RMBS in the U.S., and other asset-backed securities	143,176	(2,722)	(4,635)	(7,357)	(3,780)	(49,408)	82,631	(2,679)
Other debt securities	5,482		18	18			5,500	
Derivative assets and liabilities (net)	493	(2,068)		(2,068)		2,659	1,084	(2,068)
Options held/written, caps held and other		(1,621)		(1,621)		2,659	1,038	(1,621)
Credit derivatives held/written	493	(447)		(447)			46	(447)

Nine months ended December 31, 2011

	Millions of yen									
		Gains or losses (realized/unrealized)								
	Balance at April 1, 2011	Included in earnings *1	Included in other comprehensive income	Total	Purchases	Sales	Settlements	Transfers in and/ or out of Level 3 (net) *2	Balance at December 31, 2011	Change in unrealized gains or losses included in earnings for assets and liabilities still held at December 31, 2011 *1
Available-for-sale securities	315,676	(1,851)	(632)	(2,483)	53,681	(6,777)	(88,254)		271,843	(2,487)
Corporate debt securities	2,573	(105)	203	98	2,549		(2,331)		2,889	(108)
Specified bonds issued by SPEs in Japan	222,314	(3,451)	3,112	(339)	100	(10)	(59,669)		162,396	(3,476)
CMBS and RMBS in the U.S., and other asset-backed securities	85,283	1,705	(3,336)	(1,631)	45,341	(6,767)	(23,254)		98,972	1,097
Other debt securities	5,506		(611)	(611)	5,691		(3,000)		7,586	
Derivative assets and liabilities (net)	2,946	592		592			188		3,726	592
	3,134	592		592					3,726	592

Options held/written, caps held and other		
Credit derivatives held/written	(188)	188

*1 Principally, gains and losses from trading securities are included in brokerage commissions and net gains on investment securities; available-for-sale securities are included in write-downs of securities or life insurance premiums and related investment income and derivative assets and liabilities (net) are included in other operating revenues/expenses, respectively. Also, for available-for-sale securities, amortizations of interest recognized in interest on loans and investment securities are included in these columns.

*2 The amount reported in Transfers in and/or out of Level 3 (net) is the fair value at the beginning of quarter during which the transfers occur.

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Three months ended December 31, 2010

	Millions of yen							
		Gains or losses (realized/unrealized)						
	Balance at September 30, 2010	Included in earnings *1	Included in other comprehensive income	Total	Purchases, sales, and settlements (net)	Transfers in and/ or out of Level 3 (net) *2	Balance at December 31, 2010	Change in unrealized gains or losses included in earnings for assets and liabilities still held at December 31, 2010 *1
Trading securities	¥ 24	¥	¥ 1	¥ 1	¥ (25)	¥	¥	¥
Available-for-sale securities	308,955	(922)	(1,971)	(2,893)	(6,024)		300,038	(889)
Corporate debt securities	3,147	(22)	(4)	(26)	(473)		2,648	(23)
Specified bonds issued by SPEs in Japan	213,852	(183)	(148)	(331)	(4,262)		209,259	(215)
CMBS and RMBS in the U.S., and other asset-backed securities	86,462	(717)	(1,825)	(2,542)	(1,289)		82,631	(651)
Other debt securities	5,494		6	6			5,500	
Derivative assets and liabilities (net)	3,288	(2,204)		(2,204)			1,084	(2,204)
Options held/written, caps held and other	2,720	(1,682)		(1,682)			1,038	(1,682)
Credit derivatives held/written	568	(522)		(522)			46	(522)

Three months ended December 31, 2011

	Millions of yen									
		Gains or losses (realized/unrealized)								
	Balance at September 30, 2011	Included in earnings *1	Included in other comprehensive income	Total	Purchases	Sales	Settlements	Transfers in and/ or out of Level 3 (net) *2	Balance at December 31, 2011	Change in unrealized gains or losses included in earnings for assets and liabilities still held at December 31, 2011 *1
Available-for-sale securities	292,909	(520)	1,939	1,419	14,346	(6,452)	(30,379)		271,843	(978)
Corporate debt securities	2,681	(37)	17	(20)	546		(318)		2,889	(37)
Specified bonds issued by SPEs in Japan	180,191	(1,576)	964	(612)	100	(10)	(17,273)		162,396	(1,601)
CMBS and RMBS in the U.S., and other asset-backed securities	99,624	1,093	785	1,878	13,700	(6,442)	(9,788)		98,972	660
Other debt securities	10,413		173	173			(3,000)		7,586	
Derivative assets and liabilities (net)	3,253	463		463			10		3,726	463
Options held/written, caps held and other	3,263	463		463					3,726	463
	(10)						10			

Credit derivatives
held/written

*1 Principally, gains and losses from trading securities are included in brokerage commissions and net gains on investment securities; available-for-sale securities are included in write-downs of securities or life insurance premiums and related investment income and derivative assets and liabilities (net) are included in other operating revenues/expenses, respectively. Also, for available-for-sale securities, amortizations of interest recognized in interest on loans and investment securities are included in these columns.

*2 The amount reported in Transfers in and/or out of Level 3 (net) is the fair value at the beginning of quarter during which the transfers occur.

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From April 1, 2010, the Company and its subsidiaries adopted Accounting Standards Update 2009-16 (ASC 860 (Transfers and Servicing)), and Accounting Standards Update 2009-17 (ASC 810 (Consolidation)). As a result, there was an increase of ¥9,225 million in the Level 3 specified bonds issued by SPEs in Japan because these bonds are held by variable interest entities that have become subject to consolidation. On the other hand, there was a decrease of ¥49,408 million in the Level 3 CMBS and RMBS in the United States and other asset-backed securities, and a decrease of ¥1,296 million in the Level 3 specified bonds issued by SPEs in Japan, respectively, that are held by the Company and its subsidiaries, because these securities were issued by newly consolidated variable interest entities and accordingly have been eliminated in consolidation.

The following table presents recorded amounts of assets and liabilities measured at fair value on a nonrecurring basis as of March 31, 2011 and December 31, 2011. These assets are measured at fair value on a nonrecurring basis mainly to recognize impairment.

March 31, 2011

	Millions of yen			
	Total Carrying Value in Consolidated Balance Sheets	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets:				
Unlisted securities	¥ 3,776	¥	¥	¥ 3,776
Loans held for sale	11,439		11,439	
Real estate collateral-dependent loans (net of allowance for probable loan losses)	110,329			110,329
Investment in operating leases and other operating assets	26,813			26,813
Land and buildings undeveloped or under construction	30,595			30,595
Certain investment in affiliates	2,090	236		1,854
	¥ 185,042	¥ 236	¥ 11,439	¥ 173,367

December 31, 2011

	Millions of yen			
	Total Carrying Value in Consolidated Balance Sheets	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets:				
Unlisted securities	¥ 1,138	¥	¥	¥ 1,138
Real estate collateral-dependent loans (net of allowance for probable loan losses)	81,362			81,362
Investment in operating leases and other operating assets	11,478			11,478
Land and buildings undeveloped or under construction	14,307			14,307
Certain investment in affiliates	11,063	10,775		288
	¥ 119,348	¥ 10,775	¥	¥ 108,573

The following is a description of the main valuation methodologies used for assets and liabilities measured at fair value.

Loans held for sale

Certain loans, which the Company and its subsidiaries have the intent and ability to sell to outside parties in the foreseeable future, are considered held for sale. The loans held for sale in the United States are classified as Level 2, because the Company and its subsidiaries measure their fair value based on a market approach using inputs other than quoted prices that are observable for the assets such as treasury rate, swap rate and market spread.

Real estate collateral-dependent loans

The valuation allowance for large balance non-homogeneous loans is individually evaluated based on the present value of expected future cash flows, the loan s observable market price or the fair value of the collateral securing the loans if the loans are collateral-dependent. According to ASC 820-10 (Fair Value Measurements and Disclosures), measurement for impaired loans determined using a present value technique is not considered a fair value measurement. However, measurement for impaired loans determined using the loan s observable market price or the fair value of the collateral securing the collateral-dependent loans are fair value measurements and are subject to the disclosure requirements for nonrecurring fair value measurements.

The Company and its subsidiaries determine the fair value of the real estate collateral of real estate collateral-dependent loans using appraisals prepared by independent third party appraisers or our own staff of qualified appraisers based on recent transactions involving sales of similar assets or other valuation techniques such as discounted cash flows methodologies using future cash flows estimated to be generated from operation of the existing assets or completion of development projects, as appropriate. We generally obtain a new appraisal once a fiscal year. In addition, we periodically monitor circumstances of the real estate collateral and then obtain a new appraisal in situations involving a significant change in economic and/or physical conditions, which may materially affect the fair value of the collateral. Real estate collateral-dependent loans whose fair values are estimated using an appraisal of the underlying collateral based on techniques other than recent transactions involving sales of similar assets are classified as Level 3 because such techniques involve unobservable inputs.

Investment in operating leases and other operating assets and Land and buildings undeveloped or under construction

Investment in operating leases measured at fair value is mostly real estate. The Company and its subsidiaries determine the fair value of Investment in operating leases and other operating assets and Land and buildings undeveloped or under construction using appraisals prepared by independent third party appraisers or the Company s own staff of qualified appraisers based on recent transactions involving sales of similar assets or other valuation techniques such as discounted cash flow methodologies using future cash flows estimated to be generated from operation of the existing assets or completion of development projects, as appropriate. The Company and its subsidiaries classified the assets as Level 3 because such techniques involve unobservable inputs.

Trading securities, Available-for-sale securities and Investment in affiliates

If active market prices are available, fair value measurement is based on quoted active market prices and, accordingly, these securities are classified as Level 1. If active market prices are not available, a fair value measurement is based on observable inputs other than quoted prices included within Level 1, such as prices for similar assets and accordingly these securities are classified as Level 2. If market prices are not available, then fair value is estimated by using valuation models including discounted cash flow methodology and commonly used option-pricing models. Such securities are classified as Level 3, as the valuation models are based on inputs that are unobservable in the market.

The Company and its subsidiaries classified CMBS and RMBS in the United States, as level 3 due to a certain market being inactive. In determining whether a market is active or inactive, the Company and its subsidiaries evaluate various factors such as the lack of recent transactions, price quotations that are not based on current information or vary substantially over time or among market makers, a significant increase in implied risk premium, a wide bid-ask spread, significant decline in new issuances, little or no public information (e.g. a principal-to-principal market) and other factors. With respect to the CMBS and RMBS in the United States, the Company and its subsidiaries judged that the market was inactive because there were few recent transactions and broker quotes or pricing evaluations from independent pricing service vendors for these securities were not available. As a result, the Company and its subsidiaries established internally developed pricing models (Level 3 inputs) using valuation techniques such as present value techniques in order to estimate fair value of these securities and classified them as Level 3. Under the models, the Company and its subsidiaries use anticipated cash flows of the security discounted at a risk-adjusted discount rate that incorporates our estimate of credit risk and liquidity risk that a market participant would consider. The cash flows are estimated based on a number of assumptions such as default rate and prepayment speed, as well as seniority of the security.

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The Company and its subsidiaries classified the specified bonds issued by SPEs in Japan as Level 3 because the Company and its subsidiaries measure their fair value using unobservable inputs. Since the specified bonds do not trade in an open market, no relevant observable market data is available. Accordingly the Company and its subsidiaries use a discounted cash flow model that incorporates significant unobservable inputs to measure their fair value. When evaluating the specified bonds issued by SPEs, the Company and its subsidiaries estimate the fair value by discounting future cash flows using a discount rate based on market interest rates and a risk premium. The future cash flows for the specified bonds issued by the SPEs are estimated based on contractual principal and interest repayment schedules on each of the specified bond issued by the SPEs. Since the discount rate is not observable for the specified bonds, the Company and its subsidiaries use an internally developed model to estimate a risk premium considering the value of the real estate collateral (which also involves unobservable inputs in many cases when using valuation techniques such as discounted cash flow methodology) and the seniority of the bonds. Under the model, the Company and its subsidiaries consider the loan-to-value ratio and other relevant available information to reflect both the credit risk and the liquidity risk in our own estimate of the risk premium. Generally, the higher the loan-to-value ratio, the larger the risk premium the Company and its subsidiaries estimate under the model. The fair value of the specified bonds issued by SPEs rises when the fair value of the collateral real estate rises and the discount rate declines. The fair value of the specified bonds issued by SPEs declines when the fair value of the collateral real estate declines and the discount rate rises.

Investment funds

The fair value is based on the net asset value if the investments meet certain requirements that the investees have all of the attributes specified in ASC 946-10 (Financial Services Investment Companies) and the investees calculate the net asset value. These investments are classified as Level 2, because they are not redeemable at the net asset value per share at the measurement date but they are redeemable at the net asset value per share in the near term after the measurement date.

Derivatives

For exchange-traded derivatives, fair value is based on quoted market prices, and accordingly, classified as Level 1. For non-exchange traded derivatives, fair value is based on commonly used models and discounted cash flow methodology. If the inputs used for these measurements including yield curves and volatilities, are observable, the Company and its subsidiaries classify it as Level 2. If the inputs are not observable, the Company and its subsidiaries classify it as Level 3.

4. Credit Quality of Financing Receivables and the Allowance for Credit Losses

The Company and its subsidiaries adopted Accounting Standards Update 2010-20 (Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses ASC 310 (Receivables)). This Update enhances disclosures about the credit quality of financing receivables and the allowance for credit losses, and requires an entity to provide the following information disaggregated by portfolio segment and class of financing receivable.

Allowance for credit losses by portfolio segment

Credit quality of financing receivables by class

Impaired loans

Credit quality indicators

Non-accrual and past-due financing receivables

Information about troubled debt restructurings by class

A portfolio segment is defined as the level at which an entity develops and documents a systematic methodology to determine its allowance for credit losses. The Company and its subsidiaries classify our portfolio segments by instruments of loans and direct financing leases. Classes of financing receivables are determined based on the initial measurement attribute, risk characteristics of the financing receivables and the method for monitoring and assessing obligors credit risk, and are defined as the level of detail necessary for a financial statement user to understand the risks inherent in the financing receivables. Classes of financing receivables generally are a disaggregation of a portfolio segment, and the Company and its subsidiaries disaggregate our portfolio segments into classes by regions, instruments or industries of our debtors.

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The following table provides information about the allowance for credit losses as of March 31, 2011, for the nine months ended December 31, 2011 and for the three months ended December 31, 2011:

	0,000,000	0,000,000	0,000,000	0,000,000	0,000,000	0,000,000
	March 31, 2011 Millions of yen					
		Loans Corporate				
	Consumer	**Non-recourse loans**	**Other**	**Purchased loans *1**	**Direct financing leases**	**Total**
Allowance for Credit Losses:						
Ending Balance	¥ 17,096	¥ 27,426	¥ 70,972	¥ 17,455	¥ 21,201	¥ 154,150
Individually Evaluated for Impairment	3,016	23,123	55,170	16,014		97,323
Not Individually Evaluated for Impairment	14,080	4,303	15,802	1,441	21,201	56,827
Financing receivables:						
Ending Balance	¥ 840,419	¥ 952,573	¥ 1,065,119	¥ 111,335	¥ 830,853	¥ 3,800,299
Individually Evaluated for Impairment	8,312	73,029	194,005	36,685		312,031
Not Individually Evaluated for Impairment	832,107	879,544	871,114	74,650	830,853	3,488,268

	0,000,000	0,000,000	0,000,000	0,000,000	0,000,000	0,000,000
	Nine months ended December 31, 2011 Millions of yen					
		Loans Corporate				
	Consumer	**Non-recourse loans**	**Other**	**Purchased loans *1**	**Direct financing leases**	**Total**
Allowance for Credit Losses:						
Beginning Balance	¥ 17,096	¥ 27,426	¥ 70,972	¥ 17,455	¥ 21,201	¥ 154,150
Provision charged to income	576	889	3,693	1,465	1,645	8,268
Charge-offs	(1,292)	(5,535)	(17,215)	(269)	(5,256)	(29,567)
Recoveries	35	16	1,022		31	1,104
Other *2	(26)	(1,300)	(488)	(166)	(437)	(2,417)
Ending Balance	¥ 16,389	¥ 21,496	¥ 57,984	¥ 18,485	¥ 17,184	¥ 131,538
Individually Evaluated for Impairment	2,850	18,417	47,786	16,668		85,721
Not Individually Evaluated for Impairment	13,539	3,079	10,198	1,817	17,184	45,817
Financing receivables:						
Ending Balance	¥ 860,330	¥ 793,787	¥ 977,289	¥ 100,795	¥ 839,630	¥ 3,571,831
Individually Evaluated for Impairment	8,930	66,606	174,899	31,522		281,957
Not Individually Evaluated for Impairment	851,400	727,181	802,390	69,273	839,630	3,289,874

	0,000,000	**0,000,000**	**0,000,000**	**0,000,000**	**0,000,000**	**0,000,000**
	Three months ended December 31, 2011 Millions of yen					
		Loans Corporate				
	Consumer	**Non-recourse loans**	**Other**	**Purchased loans *1**	**Direct financing leases**	**Total**
Allowance for Credit Losses:						
Beginning Balance	¥ 16,580	¥ 23,086	¥ 62,663	¥ 17,994	¥ 18,811	¥ 139,134

Provision charged to income	5	137	(1,781)	568	542	(529)
Charge-offs	(207)	(1,980)	(3,399)	(112)	(2,262)	(7,960)
Recoveries	5		373		17	395
Other *2	6	253				